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ABSTRACT

The hearings before the subcommittee on education of the Committee on Labor and Public Welfare, United States Senate, Ninety-Third Congress on the examination of the family contribution schedule for the Basic Educational Opportunity Grant Program for use in academic year 1975-1976 are presented. Testimony and supporting evidence are included. (MJM)

FAMILY CONTRIBUTION SCHEDULE FOR THE BASIC EDUCATIONAL OPPORTUNITY GRANT PROGRAM, 1974

ED104303

HEARING

BEFORE THE

SUBCOMMITTEE ON EDUCATION

OF THE

COMMITTEE ON LABOR AND PUBLIC WELFARE UNITED STATES SENATE

NINETY-THIRD CONGRESS

SECOND SESSION

ON

EXAMINATION OF THE FAMILY CONTRIBUTION SCHEDULE FOR THE BASIC EDUCATIONAL OPPORTUNITY GRANT PROGRAM FOR USE IN ACADEMIC YEAR 1975–1976

OCTOBER 3, 1974

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FAMILY CONTRIBUTION SCHEDULE FOR THE BASIC EDUCATION OPPORTUNITY GRANT PROGRAM, 1974

THURSDAY, OCTOBER 3, 1974

U.S. SENATE,
SUBCOMMITTEE ON EDUCATION OF THE
COMMITTEE ON LABOR AND PUBLIC WELFARE,
Washington, D.C.

The subcommittee met, pursuant to notice, at 10:10 a.m., in room 4232, Dirksen Senate Office Building, Hon. Claiborne Pell, subcommittee chairman, presiding.

Present: Senator Pell.

Committee staff present: Stephen J. Wexler, counsel; Richard D. Smith, associate counsel; Jean S. Frohlicher, associate counsel; and Roy H. Millenson, minority staff director.

Senator PELL. The Subcommittee on Education will come to order.

I welcome all of you and apologize for being a little late.

Today we will be discussing the basic educational opportunity grant program family contribution schedule.

As required by law, this schedule must be submitted to the Congress for its review.

This is indeed a continuing effort of oversight on the part of the subcommittee to see that the original intent of the legislation is carried out by the administering agency.

Our experience with the family contribution schedule has been rather hit or miss. The original proposed schedule was, to our mind, much too stringent in its treatment of assets, social security income, and its treatment of the independent student.

Last year, some modifications in the schedule were made through consultation between the Congress and the Office of Education. I understand that the most recent family contribution schedule is more in line still with original congressional intent.

Here, I would specifically note the treatment of assets, social security and veterans' benefits, and treatment of the independent student. I understand that these factors will be discussed by the Commissioner, and I do hope that the witnesses following the Commissioner will, if they have comments on these subjects, make them known to us.

I welcome Commissioner Bell here today and invite you to introduce the rest of your panel.

STATEMENT OF HON. T. H. BELL, U.S. COMMISSIONER OF EDUCATION, DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE; ACCOMPANIED BY S. W. HERRELL, ACTING DEPUTY COMMISSIONER, BUREAU OF POSTSECONDARY EDUCATION, OFFICE OF EDUCATION; JOHN D. PHILLIPS, ASSOCIATE COMMISSIONER FOR STUDENT ASSISTANCE, BUREAU OF POSTSECONDARY EDUCATION, OFFICE OF EDUCATION; PETER K. U. VOIGT, DIRECTOR, DIVISION OF BASIC GRANTS, BUREAU OF POSTSECONDARY EDUCATION, OFFICE OF EDUCATION; AND CHARLES M. COOKE, JR., DEPUTY ASSISTANT SECRETARY FOR LEGISLATION (EDUCATION), DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

Mr. BELL. Thank you, Mr. Chairman.

We have Charles M. Cooke, Jr., the Deputy Assistant Secretary for Legislation; Bill Herrell, the Acting Deputy Commissioner, Bureau of Postsecondary Education; John D. Phillips, Associate Commissioner for Student Assistance, Bureau of Postsecondary Education; and Peter K. U. Voigt, Director, Division of Basic Grants, Bureau of Postsecondary Education.

Senator PELL. Thank you.

Mr. BELL. Mr. Chairman, knowing the pressure of time, I will abbreviate and paraphrase my testimony if that is preferred, rather than reading the entire statement.

Senator PELL. You may do that.

Please proceed.

Mr. BELL. We are pleased to report that we are receiving 25,000 to 30,000 application forms per week, and have received over 1 million applications to date. This compares to 500,000 applications for the entire first year of operation. We attribute this increase in volume to several factors.

First, as a result of your timely action on the 1973–74 family contribution schedules, we were able to print and distribute the basic grant applications by March. This allowed us to reach many potentially eligible students while they were still in school.

Secondly, the comprehensive training effort which was conducted between April and June of this year resulted in an increased awareness of the basic grant program on the part of high school guidance counselors, postsecondary school officials, and others who are in a position to assist students in making decisions regarding postsecondary education.

These training sessions were conducted under a contract with the National Association of Student Financial Aid Administrators, the National Association of College and University Business Officers, and the American Personnel and Guidance Association.

During this spring, over 500 sessions were held throughout the country, and we were very pleased with the extent of participation at the secondary and postsecondary levels.

Finally, we believe that the financial aid community is much more comfortable with the program this year, and a number of the operational and administrative problems experienced in the first year have been alleviated.

In addition to these ongoing activities for the current academic year, we are also well underway with preparations to operate the program for the 1975–76 academic year. As you may recall from our testimony last year, we are making every effort to improve further the timing of the basic grant program for the next academic year.

A critical part of this effort is, of course, the approval of the 1975–76 family contribution schedules. Our goal is to have next year's application forms printed and distributed to all high schools and institutions of postsecondary education by the end of January 1975.

Since the basic grant is intended to be the first step in building a student's aid package, it is most desirable to have applications available at that time in order to permit financial aid officers to coordinate effectively the basic grant with other sources of assistance for students.

In order to meet these objectives, we will need to have resolution on the family contribution schedules by November 1, 1974. If that deadline is not met, the Government Printing Office has informed us that our printing schedule will have to be revised substantially and we will not have our materials printed and distributed until significantly later than January.

We are hopeful, therefore, that we can work with you and your staff in achieving an early agreement on modifications to the schedules.

In the current academic year, with total funding of $475 million plus the carryover, Basic Grant awards for first- and second-year students range from $50 to $1,050, with an average grant of $690.

Given the level of funding—maximum $685 million—we are likely to receive in the fiscal year 1975 appropriation, to cover first-, second-, and third-year students in the 1975–76 school year, we will be forced to reduce awards below the levels for the current year without making any revisions from the 1974–75 family contribution schedules at all.

Our estimate of the funding level necessary to maintain the current award levels for the three classes of students was $762.5 million. This estimate was based on the 1974 family contribution schedules.

With a $650 million to $685 million level of funding, awards will be lower in 1975–76 than they are now. Substantial liberalizations in the family contribution schedules would result in an even greater reduction in the student awards because of increased eligibility. Thus, the changes we are proposing will result in reduced awards, some of which may be considerably reduced below the awards for the current year, and any additional revisions will increase this reduction.

Mr. Chairman, I will now discuss our proposed changes.

The first modification we would propose is an adjustment to the family size offsets. We would maintain the base which has been in use and make an adjustment for expected inflation as measured by the 1974 Consumer Price Index. An illustration of the impact of this proposal is attached as exhibit A.

Our second proposal is a change in the treatment of social security and veterans' benefits to the student. As you know, one of the continuing problems we have had is the treatment of the "effective income of the student," which is defined by law to include any amount paid to or on behalf of a student under the Social Security Act, which would not be paid if he were not a student, and one-half of any amount of additional benefits paid through the Veterans' Administration

Since benefits paid under the Social Security Act or through the Veterans' Administration are paid to students because they are students, they appear to be for educational purposes and are a significant factor in the calculation of the student's eligibility index.

However, the assumption that social security benefits, continued for full-time students after they reach the age of 18, are available for postsecondary education may be faulty for two major reasons.

Under the social security system, dependent children may receive social security benefits until the age of 18 unless a dependent child continues his or her education on a full-time basis, in which case the benefits are paid until the age of 22. It is the amount of these benefits received between the ages of 18 and 22 which are considered to be "effective income of the student."

Since these benefits would not be paid to or on behalf of these children if they were not to continue their education, we have assumed that they could be expected as a direct contribution for educational purposes.

While this modification did alleviate some of the problems we had encountered it appears that this treatment still results in inequities for many recipients of social security benefits.

We would propose, therefore, that the social security and veterans' educational benefits be included in and treated as "other family income." We feel that this proposed change will recognize the fact that these benefits are, in many cases, based upon family maintenance requirements and are not based upon the student status of one family member.

An illustration of the effect of this proposed change is attached as exhibit B.

We should point out, however, that for a number of social security recipients—those who are from two member families—the current treatment of social security benefits appears to be satisfactory and equitable since the amount of benefits received by the family is reduced if the applicant does not continue his or her education after the age of 18.

It would, however, be extremely difficult for us to collect the necessary data and make determinations on the portion of the family's social security support which is based upon the applicant's student status.

A second and much more serious concern is the impact which this proposed revision would have on recipients of veterans' benefits.

As you know, there are two kinds of veterans' benefits which are included in the definition of "effective income of the student." The first is survivors' benefits which are very similar in nature to social security benefits. The second is GI bill payments which are clearly for educational purposes.

Since only 50 percent of veterans' benefits are considered in the basic grant system, a definite and strong advantage is given to GI bill recipients. However, we feel that this inequity is not as serious as that faced by social security recipients and is one that we are willing to live with during the existing 1975–76 academic year in order to give priority to correcting the problems of social security recipients.

This is not the best way to treat veterans' benefits and, accordingly, we intend to seek remedial action as part of our legislative program for higher education next year.

Our third proposed change deals with the treatment of assets. We do feel, therefore, that our position regarding the consideration of assets in the schedules, and our definition of those assets which are considered, provide for a reasonable and justifiable approach in measuring a family's financial strength.

In the 1973–74 schedules, the amount of assets which was considered in the formula was that amount which remained after deductions were made for any debts against the assets and an asset reserve of $7,500.

This treatment was revised in 1974–75 to provide for an offset against the contribution from assets in those cases where allowable deductions from income exceed the family's income. This revised treatment has greatly reduced the numerous problems we experienced last year with families having farm and small business assets.

We are, however, still concerned about those families who have the bulk of their assets in home equity, especially those with low- and lower-middle incomes. We are proposing, therefore, that the asset reserve of $7,500, which is now in use, be increased to $8,500.

According to our latest statistics on 1974–75 basic grant applicants, the overall net median home equity position of all dependent applicants having home equity, is $10,535. The median asset position of those families with home equity and who have incomes of below $9,000 per year is below the $8,500 offset that we are proposing.

We believe that by increasing the asset reserve to this level, we would alleviate the problems we have recently experienced. An illustration of the proposed change in the treatment of assets is attached as exhibit C.

The last change we would propose deals with the independent student who was employed on a full-time basis in the base year but who has left his job in order to pursue postsecondary education.

Currently, the independent student's eligibility is calculated on base year income data. The only provisions which would allow an independent student to file a basic grant application, using estimated current year income data, are (1) the inability of the applicant to pursue normal income-producing activities due to disability or natural disaster, (2) the separation or divorce of the applicant since the time the basic grant application was filed, and (3) the death of a spouse whose income was included in the calculation of family income.

Therefore, the independent applicant who was employed on a full-time basis and earned income in the base year has often been determined to be ineligible for basic grant assistance even though the income earned during that time is no longer available.

Accordingly, we are proposing a revision which would permit all independent applicants, who were not students in the base year and who were employed on a full-time basis, to file a basic grant application using estimated current year income data.

We are proposing this change with some reservation, however. One of the critical concerns we have is allowing what may be a significant number of applicants to use estimated income in applying for basic grants.

A number of recent studies show that estimated income is unreliable at times, and may not, in some cases, be a valid base to use in determining need for financial aid programs.

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We are very much aware of this and will be developing methods to verify the estimated data provided by these applicants to be sure that abuses do not occur.

Under the regulation that we would draft to implement this change, the student would be subject to a later adjustment in any initial payment. We will be examining possible mechanism to accomplish this.

In summary, we believe that the proposed changes in the treatment of family size offsets, social security and veterans' educational benefits, assets, and independent students will significantly improve the family contribution schedules for the basic grant program.

We have also provided you with some statistical tables on the impact of the current family contribution schedules on 1974–75 applicants.

I shall be pleased to review these statistical materials with you and then answer any questions you may have.

Senator PELL. I understand that the form is still very complicated. I think it would be good if a copy of the application form was included in the record at this point together with your prepared statement.

Mr. BELL. Yes, sir; we will do that.

I am also hearing about the complexity of the forms.

[The prepared statement of Mr. Bell along with the information referred to follows:]

FOR RELEASE UPON DELIVERY

Statement by
Honorable T. H. Bell
U.S. Commissioner of Education
Department of Health, Education, and Welfare
Before the
Subcommittee on Education
Committee on Labor and Public Welfare
United States Senate
Thursday, October 3, 1974
10:00 a.m.

Commissioner Bell is accompanied by:

S.W. Herrell, Acting Deputy Commissioner, Bureau of Postsecondary Education, OE

John D. Phillips, Associate Commissioner for Student Assistance, Bureau of Postsecondary Education, OE

Peter K. U. Voigt, Director, Division of Basic Grants, Bureau of Postsecondary Education, OE

Charles M. Cooke, Jr., Deputy Assistant Secretary for Legislation (Education), DHEW

Mr. Chairman and Members of the Subcommittee:

I am pleased to be with you today to discuss the Basic Educational Opportunity Grant Program and to share with you our proposals for modifying the Family Contribution Schedules for the 1975-76 academic year.

Before we begin a detailed discussion of the Family Contribution Schedules, I would like to take this opportunity to give you a brief status report on the current operation of the Basic Grant Program.

We are pleased to report that we are receiving 25-30,000 application forms per week and have received over 1,000,000 applications to date. This compares to 500,000 applications for the entire first year of operation. We attribute this increase in volume to several factors. First, as a result of your timely action on the 1974-75 Family Contribution Schedules, we were able to print and distribute the Basic Grant applications by March. This allowed us to reach many potentially eligible students while they were still in school. Secondly, the comprehensive training effort which was conducted between April and June of this year resulted in an increased awareness of the Basic Grant Program on the part of high school guidance counselors, postsecondary school officials, and others who are in a position to assist students in making decisions regarding postsecondary education. These training sessions were conducted under a contract with the National Association of Student Financial Aid Administrators, the National Association of College and University Business Officers, and the American Personnel and Guidance Association. During this Spring over 500 sessions were held throughout the country, and we were very

pleased with the extent of participation at the secondary and postsecondary levels. Finally, we believe that the financial aid community is much more comfortable with the Program this year, and a number of the operational and administrative problems experienced in the first year have been alleviated.

The fact that the number of eligible postsecondary schools has increased from about 4,300 at the beginning of 1973-74 to approximately 5,500 now, allows students even greater flexibility in determining their own educational goals. In addition, since most of these schools are acting as disbursing agents for the Program, we have already issued initial authorizations totaling about $240 million to these schools to cover awards to first and second year students for the first half of the current school year. These initial authorizations will, of course, be adjusted throughout the year to reflect the actual utilization of Basic Grant funds at each school.

In addition to these ongoing activities for the current academic year, we are also well under way with preparations to operate the Program for the 1975-76 academic year. As you may recall from our testimony last year, we are making every effort to further improve the timing of the Basic Grant Program for the next academic year. A critical part of this effort is, of course, the approval of the 1975-76 Family Contribution Schedules. Our goal is to have next year's application forms printed and distributed to all high schools and institutions of postsecondary education by the end of January 1975.

Since the Basic Grant is intended to be the first step in building a student's aid package, it is most desirable to have applications available at that time in order to permit financial aid officers to coordinate effectively the Basic Grant with other sources of assistance to students. In order to meet these objectives, we will need to have resolution on the Family Contribution Schedules by November 1, 1974. If that deadline is not met, the Government Printing Office has informed us that our printing schedule will have to be revised substantially and we will not have our materials printed and distributed until significantly later than January.

We are hopeful, therefore, that we can work with you and your staff in achieving an early agreement on modifications to the Schedules.

Before we discuss the proposed changes we are recommending, I would like to make some general comments on the Family Contribution Schedules.

We think that it is extremely important to bear in mind, during this review of the Schedules, that the purpose of any need analysis system is to act as a method of distributing resources.

I am aware that the Basic Grant formula has received some severe criticism regarding its "strictness". It has been suggested that we are employing a "rationing" system rather than a method which accurately measures a family's ability to finance a student's education. Much criticism arises from differences in various families' perceptions of ability--or willingness--to pay, which involves value judgments regarding a family's standard of living.

Another point you may want to keep in mind during these discussions of the Schedules is the relationship between the Family Contribution

Schedules and the appropriation and how that relationship affects the level of student awards.

In the current academic year, with total funding of $475 million plus the carryover, Basic Grant awards for first and second year students range from $50 to $1,050, with an average grant of $690. Given the level of funding (maximum $685 million) we are likely to receive in the FY 1975 appropriation, to cover first, second, and third year students in the 1975-76 school year, we will be forced to reduce awards below the levels for the current year without making any revisions from the 1974-75 Family Contribution Schedules at all. Our estimate of the funding level necessary to maintain the current award levels for the three classes of students was $762,500,000. This estimate was based on the 1974 Family Contribution Schedules. With a $650-685 million level of funding, awards will be lower in 1975-76 than they are now. Substantial liberalizations in the Family Contribution Schedules would result in an even greater reduction in the student awards because of increased eligibility. Thus, the changes we are proposing will result in reduced awards, some of which may be considerably reduced below the awards for the current year, and any additional revisions will increase this reduction.

We would, at this time, like to explain the changes we are proposing to be made in the Family Contribution Schedules. These changes, we believe, reflect some of the major concerns which have been raised during this past year. These concerns have included the family size offsets; the treatment of social security and veterans benefits; the treatment of assets; and the treatment of independent students who leave their jobs to pursue postsecondary education. We have already outlined

these changes for you in my letter of September 20. However, we would like to review these proposals for the record.

1. Family Size Offsets

The first modification we would propose is an adjustment to the family size offsets. We would maintain the base which has been in use and make an adjustment for expected inflation as measured by the 1974 Consumer Price Index. An illustration of the impact of this proposal is attached as Exhibit A.

2. Treatment of Social Security and Veterans Benefits to the Student

As you know, another one of the continuing problems we have had is the treatment of the "effective income of the student," which is defined by law to include any amount paid to or on behalf of a student under the Social Security Act which would not be paid if he were not a student and one-half of any amount of educational benefits paid through the Veterans Administration. Since benefits paid under the Social Security Act or through the Veterans Administration are paid to students because they are students, they appear to be for educational purposes and are a significant factor in the calculation of the student's eligibility index.

However, the assumption that social security benefits, continued for full-time students after they reach the age of 18, are available for postsecondary education may be faulty for two major reasons.

Under the social security system, dependent children may receive social security benefits until the age of 18 unless a dependent child

continues his or her education on a full-time basis, in which case the benefits are paid until the age of 22. It is the amount of these benefits received between the ages of 18 and 22 which are considered to be "effective income of the student." Since these benefits would not be paid to or on behalf of these children if they were not to continue their education, we have assumed that they could be expected as a direct contribution for educational purposes.

Information from the Social Security Administration proves that, for many student beneficiaries, this is not a fair expectation as the following example illustrates.

Assuming that the family unit consists of a mother and two dependent children and the father is deceased, the amount of social security benefits paid to the family is determined in the following manner:

A. A formula is applied to the base salary of the father to obtain the primary insurance amount (PIA).

B. The PIA is multiplied by a percentage, (at this time 150%), to obtain a family maximum. For purposes of this example assume a family maximum of $400 per month. The amount which can be paid to the mother and each dependent child is calculated on the basis of 75 percent of the PIA for each family member.

Mother's benefits	=	$205
1st child's benefits	=	205
2nd child's benefits	=	205
Total benefits		$615

C. Since the family maximum cannot exceed $400, each family member's benefits are reduced on a pro rata basis to come within the $400.

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Mother's benefits	=	$134
1st child's benefits	=	133
2nd child's benefits	=	133
Total benefits		$400

D. If the first child reaches the age of 18 and does not continue his or her education, the distribution of benefits paid to or on behalf of the mother and remaining child is redetermined by taking a different pro rata reduction of the total which may be paid in order to come within the family maximum.

Mother's benefits	=	-$200
Child's benefits	=	200
Total benefits	=	$400

Therefore, the child's decision regarding the continuation of his education has no impact on the total amount of social security benefits paid to the family.

It is, therefore, very difficult to justify the present requirement that in all cases we consider all of the applicant's social security benefits as being available to meet the costs of his postsecondary education.

I have been advised that this issue was of primary concern in discussions with the Committee on the current Family Contribution Schedules. As a result of these discussions, the treatment of "effective income of the student" was modified. In the 1973-74 academic year, the amount of these benefits was included as a 100 percent contribution in the determination of student eligibility. For the 1974-75 academic year the formula provides that in those cases where the allowable offsets against the total family income exceed the amount of that income, a deduction is made from the effective income of the student to offset this negative amount.

While this modification did alleviate some of the problems we had encountered, it appears that this treatment still results in inequities for many recipients of social security benefits. We would propose, therefore, that the social security and veterans educational benefits be included in and treated as "other family income." We feel that this proposed change will recognize the fact that these benefits are, in many cases, based upon family maintenance requirements and are not based upon the student status of one family member. An illustration of the effect of this proposed change is attached as Exhibit B.

We should point out, however, that for a number of social security recipients (those who are from two member families) the current treatment of social security benefits appears to be satisfactory and equitable since the amount of benefits received by the family is reduced if the applicant does not continue his or her education after the age of 18. It would, however, be extremely difficult for us to collect the necessary data and make determinations on the portion of the family's social security support which is based upon the applicant's student status.

A second and much more serious concern is the impact which this proposed revision would have on recipients of veterans benefits. As you know, there are two kinds of veterans benefits which are included in the definition of "effective income of the student." The first is survivors benefits which are very similar in nature to social security benefits. The second is G.I. Bill paymonts which are clearly for educational purposes. Since only fifty percent of veterans benefits are considered in the Basic Grant system, a definite and strong advantage is given to G.I. Bill recipients. However, we feel that this inequity is not as serious as that faced by social security recipients and is one that we

are willing to live with during the existing 1975-76 academic year in order to give priority to correcting the problems of social security recipients. This is not the best way to treat veterans benefits and, accordingly, we intend to seek remedial action as part of our legislative program for Higher Education next year.

3. Treatment of Assets

As I am sure you know, the treatment of assets in the Basic Grant Schedules has been the subject of considerable debate since the inception of the program. Recently, there has been some discussion regarding eliminating assets completely from the Schedules or exempting certain kinds of assets (e.g., home equity) from consideration.

We believe, however, that assets must be considered in the Basic Grant Schedules because they contribute significantly to a family's financial strength.

The next issue which has been raised in the long debate over assets is the suggestion that only "liquid" assets be considered. However, as you can imagine, the distinction between "liquid" and "non-liquid" assets is a difficult one to make and one which involves a significant degree of individual discretion and judgment. This again is a matter which would require value judgments regarding a family's lifestyle and personal financial objectives.

We do feel, therefore, that our position regarding the consideration of assets in the Schedules, and our definition of those assets which are

considered, provide for a reasonable and justifiable approach in measuring a family's financial strength.

In the 1973-74 Schedules, the amount of assets which was considered in the formula was that amount which remained after deductions were made for any debts against the assets and an asset reserve of $7,500.

This treatment was revised in 1974-75 to provide for an offset against the contribution from assets in those cases where allowable deductions from income exceed the family's income. This revised treatment has greatly reduced the numerous problems we experienced last year with families having farm and small business assets.

We are, however, still concerned about those families who have the bulk of their assets in home equity, especially those with low and lower-middle incomes. We are proposing, therefore, that the asset reserve of $7,500, which is now in use, be increased to $8,500. According to our latest statistics on 1974-75 Basic Grant applicants, the overall net median home equity position of all dependent applicants having home equity, is $10,535. The median asset position of those families with home equity and who have incomes of below $9,000 per year is below the $8,500 offset that we are proposing.

We believe that by increasing the asset reserve to this level, we would alleviate the problems we have recently experienced. An illustration of the proposed change in the treatment of assets is attached as Exhibit C.

4. Treatment of Independent Students

The last change we would propose deals with the independent student who was employed on a full-time basis in the base year but who has left

his job in order to pursue postsecondary education. Currently, the independent student's eligibility is calculated on base year income data. The only provisions which would allow an independent student to file a Basic Grant application using estimated current year income data are (1) the inability of the applicant to pursue normal income-producing activities due to disability or natural disaster, (2) the separation or divorce of the applicant since the time the Basic Grant application was filed, and (3) the death of a spouse whose income was included in the calculation of family contribution.

Therefore, the independent applicant who was employed on a full-time basis and earned income in the base year has often been determined to be ineligible for Basic Grant assistance even though the income earned during that time is no longer available.

Accordingly, we are proposing a revision which would permit all independent applicants, who were not students in the base year and who were employed on a full-time basis, to file a Basic Grant application using estimated current year income data.

We are proposing this change with some reservation, however. One of the critical concerns we have is allowing what may be a significant number of applicants to use estimated income in applying for Basic Grants.

A number of recent studies show that estimated income is unreliable at times, and may not in some cases be a valid base to use in determining need for financial aid programs. We are very much aware of this and will be developing methods to verify the estimated data provided by

these applicants to be sure that abuses do not occur. Under the regulations that we would draft to implement this change, the student would be subject to a later adjustment in any initial payment. We will be examining possible mechanisms to accomplish this.

In summary, we believe that the proposed changes in the treatment of family size offsets, social security and veterans educational benefits, assets, and independent students will significantly improve the Family Contribution Schedules for the Basic Grant program.

We have also provided you with some statistical tables on the impact of the current Family Contribution Schedules on 1974-75 applicants.

I shall be pleased to review these statistical materials with you and then answer any questions you may have.

Exhibit A

Illustration of Proposed Change in the Family Size Offsets

Family of 4 - 1 parent working
Family Income - $6,000
Income Tax Paid - 0
One Child in College

	74-75 Offsets	Proposed Offsets
Family Income	6,000	6,000
Less Family Size Offset	4,640	5,115
Discretionary Income	1,350	885
Times Expectation Rate	.20	.20
Expectation from Income	$ 285	$ 177

Exhibit B

Exhibit B

Illustration of Proposed Change in the Treatment of Social Security Benefits

Family of 4 - 1 parent working
Family Income - $6,000
Income Tax paid - 0
Social Security Benefits to Student - $1,200

	Present Method	Proposed Change
Family Income	6,000	6,000
Other Income	0	1,200
Total Family income	6,000	7,200
Less Family Size Offset	5,115*	5,115
Discretionary Income	885	2,085
Times Expectation Rate	.20	.20
Expectation from Income	177	417
Effective Income of the Student	1,200	0**
Expectation from Effective Income	1,200	0
Expectation from Income and Effective Income of the Student	$1,377	$ 417

*Note that the proposed Family Size Offset has been used to illustrate change in the treatment of social security benefits only.

**Proposed change includes effective income of the student in other income.

41-848 O - 75 - 4

Exhibit C

Illustration of Proposed Change in the Treatment of Assets

Family of 4 - 1 parent working
Family Income - $6,000
Income Tax paid - 0
Net Assets of Family - $9,000
One Child in College

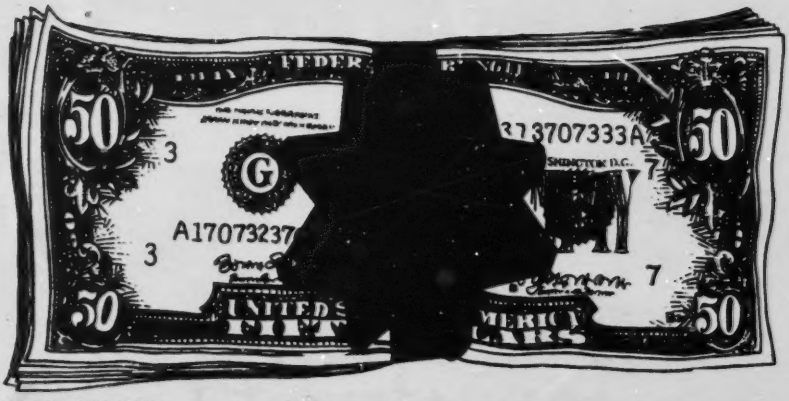
	Present Method	Proposed Change
Family Income	6,000	6,000
Less Family Size Offset	5,115*	5,115
Discretionary Income	885	885
Times Expectation Rate	.20	.20
Expectation from Income	177	177
Net Assets	9,000	9,000
Less Asset Reserve	7,500	8,500
Available Assets	1,500	500
Times Expectation Rate	.05	.05
Expectation from Assets	$ 75	$ 25
Expectation from Income and Assets	$ 252	$ 202

*Note that the proposed 1975-76 Family Size Offset has been used to illustrate the asset change only.

Application 1974-75

Basic Educational Opportunity Grant Program

Look into Basic Grants



GENERAL INFORMATION

The Basic Educational Opportunity Grant Program is a Federal aid program designed to provide financial assistance to those who need it to attend post-high school educational institutions. Basic Grants are intended to be the "floor" of a financial aid package and may be combined with other forms of aid in order to meet the full costs of education. The amount of your Basic Grant is determined on the basis of your own and your family's financial resources.

You will be eligible for a grant if you meet several important criteria:

1. You have established your financial need by means of the BEOG application.
2. You began or will begin your post-high school education after April 1, 1973. If you have taken college courses while still attending high school or if you were enrolled in a remedial program before April 1, 1973, you are still eligible to apply for a Grant.
3. You will be enrolled in an eligible program at an eligible college, university, vocational or technical school, and you will be attending on a full-time basis.
4. You are a U.S. Citizen or are in the United States for other than a temporary purpose and intend to become a permanent resident or are a permanent resident of the Trust Territories of the Pacific Islands.

The Basic Educational Opportunity Grant Award is a grant and, unlike a loan, does not have to be repaid. It is estimated that during the 1974–75 academic year the awards will range between $50 and $800.

HOW TO APPLY

First, you should complete the application for determination of eligibility and send it in the envelope you received with these materials. Do not send money; your application will be processed free of charge.

Within four weeks you should receive a *Student Eligibility Report* (SER) which will indicate the results of your application.

The SER should be submitted to the Student Financial Aid Office at the institution in which you plan to enroll, where the amount of your Basic Grant will be calculated.

ADDITIONAL INFORMATION

If you need assistance in completing this form, contact the guidance counselor at your local high school or your student financial aid officer.

If you do not receive a response to your application within six weeks, you can write: BEOG, Box 1842, Washington, D.C. 20013. Be sure to include your name, address, and social security number.

For those applicants whose financial circumstances have changed significantly since 1973 (for instance, due to the unemployment or death of a parent), it may be possible to file a Supplemental form together with the application. This form will be available from your financial aid officer or by writing: BEOG, Box 2468, Washington, D.C. 20013.

Financial assistance may also be available to you through your State. In order to assist States having scholarship or other financial aid programs, the results of the computation of your Basic Grant "eligibility index" may be released to your State scholarship agency. The result will be released only to states with which the Office of Education has agreements to protect the confidentiality of this information. The data released to these State agencies will only be used to help you in obtaining the financial aid necessary to finance your post-high school education and training.

Instructions

It is important that you read the instructions while completing the form. If the form is completed correctly, your application can be processed without unnecessary delay.

Every attempt has been made to include only those questions that are absolutely necessary. All information will, of course, be treated confidentially.

TO COMPLETE THE APPLICATION FORM:

—PLEASE REMOVE THE APPLICATION FORM CAREFULLY BEFORE COMPLETING IT.

—PLEASE PRINT ALL INFORMATION IN BALL-POINT PEN OR IN INK.

—AS YOU ENTER INFORMATION ON THIS APPLICATION, PLACE ONLY ONE LETTER OR NUMBER IN EACH SMALL BOX:

EXAMPLE: | 1 | 2 | 4 | 8 | | S | | M | A | I | N | | S | T | | |

—ENTER AMOUNTS IN DOLLARS; OMIT CENTS. **DO NOT LEAVE DOLLAR ITEMS BLANK; ENTER A ZERO (0) IF THE ITEM DOES NOT APPLY TO YOU.** DO NOT USE WORDS SUCH AS "UNKNOWN," "NONE," OR "SAME."

—SEND THE COMPLETED FORM TO:
BEOG PROGRAM
BOX 2264
WASHINGTON, D.C. 20013

SECTION A—APPLICANT INFORMATION

1–3. Enter the appropriate information. Your social security number must be provided in order to process the application.

4. If you have made a preliminary decision about the school or college you will most likely be attending during the 1974–75 academic year, enter its name and address. If you have not yet decided on a particular school, you may leave this item blank. Use abbreviations as necessary.

5–6. Enter the appropriate information. Use abbreviations when necessary. The State Code for addresses is printed at the right.

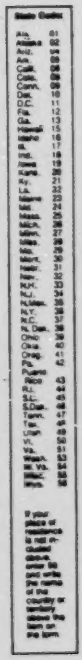
7. If you are single, without dependents, omit question 7.

If you are married or have dependents, read both *a* and *b* below:

a. Enter the total size of your household. Include yourself, spouse and children who are dependent on you for more than half their support. Also include other persons who are related to you or living with you and for whom you provide more than half their support. If you are divorced or separated, do not include your spouse.

b. Enter the number of persons listed in item 7*a* above who will be attending post-high school educational institutions during the 1974–75 academic year. Include only those who will be attending on at least a half-time basis. Do not include family members who will be enrolled in elementary, junior high or high school during the 1974–75 academic year.

8. Enter the appropriate information.



SECTION B—*PARENT INFORMATION*

NOTE: Whenever the term "parent" is used, this means your mother or father or any person who provides, or did provide, more than half your support. If your parents are separated or divorced, only information which applies to the parent who provides the largest amount of your support should be submitted.

9–11. Enter the appropriate information.

12. Enter the total size of your parents' household. Include yourself, parents, and children who are dependent on your parents for more than half their support. Also include other persons who are related to your parents or living with them *and* for whom they provide more than half their support.

13. Enter the number of persons listed in Item 12 above who will be attending post-high school educational institutions during the 1974–75 academic year. Include only those who will be attending on at least a half-time basis. Do not include family members who will be enrolled in elementary, junior high or high school during the 1974–75 academic year.

SECTION C—*APPLICANT STATUS*

14. If you lived with your parent(s), or plan to do so, during 1973, 1974, or 1975, check YES for the appropriate years. You would check YES if you lived at home for any period of more than two consecutive weeks during that year.

15. If you were or will be listed as an exemption on your parents' Federal Income Tax Return for 1973, 1974 or 1975, check YES for the appropriate years.

16. If you received or expect to receive more than $600 in financial assistance from your parent(s) in 1973, 1974, or 1975, check YES for the appropriate years. Included under financial assistance are such items as room and board for periods you lived at home, clothes, medical and dental care, cash gifts, and cost of education. Estimate the value of such items in determining whether you received more than $600 in financial assistance from your parents.

IMPORTANT

If you checked YES for any year for any question (14, 15 or 16) in Section C, please complete only Section D, and sign. Instructions for Section D begin on this page.

If you checked NO for all years and all questions (14, 15 and 16) in Section C, please complete only Section E, and sign. Instructions for Section E begin on page 4.

SECTION D

Please complete Items 17 thru 31 together with your parents, since they must supply the needed information on income, expenses, and assets. If your parents are separated or divorced, only information which applies to the parent who provides the largest amount of your support should be submitted.

NOTE: If your parents are residents of Puerto Rico, the Virgin Islands, Guam, American Samoa, or the Trust Territories and they filed an Income Tax Return with that Government in 1973, they should enter the information that corresponds to that requested in the items below.

Please enter zeroes for those items that do *not* apply to you or your parents. All figures should be entered in dollars; omit cents.

Enter $320.18 this way: | | | 3 | 2 | 0 | .00

Enter $1,851.14 this way: | | 1 | 8 | 5 | 1 | .00

Enter $10,972.77 this way. | 1 | 0 | 9 | 7 | 2 | .00

INCOME

17. Enter the number reported on line 7 of Federal Income Tax Return form 1040, or line 7 of form 1040A. If your parents are married and filed separately, enter the sum of their exemptions.

18. Enter the amount listed on line 15 of 1973 Federal Income Tax Return form 1040, or line 12 of form 1040A. If parents are married and filed separately, enter the sum of their Adjusted Gross Incomes. If your parents have not filed a Return for 1973 but will do so, enter the amount to be listed as Adjusted Gross Income. If your parents did not have to file a Return for 1973, enter a zero.

19. Enter that portion of Item 18 that was earned through employment by: (a) father and (b) mother. Include only wages, salaries, and other income from employment that would be reported on a W–2 form. Do not include such income as alimony, dividends, or interest.

20. Enter the sum of the following types of other income your parent(s) received during 1973 (do not include any income already reported in Item 18 above):

- **a.** All Social Security benefits except those received for the applicant or educational benefits received by other members of the household; report applicant's Social Security benefits only in Item 29.
- **b.** All veterans benefits except those received for the applicant or educational benefits received by other members of the household; report applicant's veterans benefits for education (G.I. Bill or War Orphans' and Widows Education Assistance) in Item 30.
- **c.** Welfare benefits—include amounts received through Aid to Families with Dependent Children and other similar programs.
- **d.** Child support received for those children included in Item 12 above.
- **e.** Other—include any other income received in 1973 that was not subject to Federal Income Tax. Examples of such income are: interest on tax-free municipal bonds, untaxed portions of pensions, untaxed portions of capital gains, military subsistence and quarters allowances and untaxed earned income.

Do not include any amounts received from student aid programs such as educational loans, work-study programs, or scholarships.

21. Enter the amount of tax reported on line 18 of Federal Income Tax form 1040 or line 19 of form 1040A of Return(s) filed by your parent(s) whose income was reported in item 18 above. If parents have not filed a Return for 1973, but will do so, enter an estimate of the tax paid. Do not copy tax withheld on W–2 form. If they did not have to file a Return for 1973, enter a zero.

22. If your parents itemized their deductions on their 1973 Federal Income Tax Return, enter the sum of lines 2 and 6 from Schedule A, form 1040. If your parents took a standard deduction or did not have to file a Return for 1973, enter the amount of their household's medical expenses

from the following list (do not include the amount of medical and dental expenses covered by insurance):

a. Payments for medicines, prescription drugs, and vaccines.
b. Payments to hospitals, doctors, dentists, and nurses.
c. Payments for false teeth, eyeglasses, medical and surgical aids.
d. Payments for ambulance service and other travel costs necessary to get medical care.

23. If your parents itemized their deductions on their 1973 Federal Income Tax Return, enter the amount reported on line 29 of Schedule A (form 1040). If your parents took a standard deduction or did not have to file a Return for 1973, determine the amount of each loss, not covered by insurance, due to theft or property lost or damaged by fire, storm, car accident, shipwrecks, etc. Subtract $100 from the amount of each loss. Total the net amount of each of these losses and enter this sum.

NOTE: for a complete description of the expenses for items 22 and 23, see instructions for form 1040 for Federal Income Tax Return.

ASSETS

NOTE: In completing items 24–27, do not report any asset more than once.

24. a. Enter the estimated present market value of your parents' home.
    b. Enter the amount of present unpaid mortgage or related debts on that home.

25. a. Enter the sum of the estimated present market value of other real estate your parents own (report farm and business only in items 26 and 27 below) and the total market value of your parents' investments, including stocks, bonds, and other securities.
    b. Enter the sum of the amount of present unpaid mortgage or related debts on that real estate and the amount of debts against your parents' investments.

26–27. a. Enter the market value of your parents' business or farm (including value of buildings, machinery, etc.). Do not include home if it was listed in item 24.
    b. Enter the amount of unpaid mortgage or related debts on the business or farm. If parents own part of a business (farm), enter only the value of their share of the business (farm), and only their share of unpaid mortgage.

28. Enter the appropriate amount.

APPLICANT

29. a. Enter the amount of benefits per month you expect to receive between July 1, 1974 and June 30, 1975. Include only those Social Security benefits that you receive because you are or will be a student. If you do not know this amount, you may obtain this information from the Social Security Administration's District Office which services your claim.
    b. Enter the number of months you expect to receive Social Security educational benefits between July 1, 1974 and June 30, 1975.

30. a. Enter the amount of the benefits per month you expect to receive between July 1, 1974 and June 30, 1975, as part of the Veterans Educational Assistance—G.I. Bill Program. Also include the amount per month you expect to receive under the War Orphans' and Widows' Education Assistance Program. Include only those amounts that you receive because you are or will be a student.
    b. Enter the number of months you expect to receive veterans educational benefits between July 1, 1974 and June 30, 1975.

31. Enter the sum of your present savings and the present net value of your other assets, including investments, real estate, inheritances, and trust funds. Do not include your automobile, stamp or coin collection, or other personal property or any amounts received through educational loans.

Please check again to make sure every item has been completed, and that zeroes have been entered for those items that do not apply to you or your parents.

You and your parent(s) should read the final statement carefully and sign in the appropriate places. Applications which are not signed will be returned.

[redacted]

Please complete items 32 through 45 and sign the statement at the bottom. Items apply to both you and your spouse unless you are separated or divorced.

NOTE: If you are a resident of Puerto Rico, the Virgin Islands, Guam, American Samoa, or the Trust Territories and filed an Income Tax Return with that government in 1973, you should enter the information that corresponds to that requested in the items below.

Please enter zeroes for those items that do not apply to you (or your spouse). All figures should be entered in dollars; omit cents.

Enter $320.18 this way:		3 2 0 .00
Enter $1,851.14 this way:	1	8 5 1 .00
Enter $10,972.77 this way:	1 0	9 7 2 .00

INCOME

32. Enter the number reported on line 7 of Federal Income Tax Return form 1040 or line 7 of form 1040A. If you and your spouse are married and filed separately, enter the sum of your exemptions.

33. Enter the amount reported on line 15 of 1973 Federal Income Tax Return form 1040, or line 12 of form 1040A. If you and your spouse are married and filed separately, enter the sum of your Adjusted Gross Incomes. If you have yet to file a Return for 1973 but plan to do so, enter the amount to be listed as Adjusted Gross Income. If neither you nor your spouse had to file a Return for 1973, enter a zero. Do not include any income received as the result of employment provided by student aid programs.

34. Enter that portion of item 33 that was earned through employment by: (a) applicant and (b) spouse. Include only wages, salaries, and other income from employment that would be reported on a W–2 form, except any income received as the result of employment provided by student aid programs. Do not include such income as alimony, dividends, or interest.

35. Enter the sum of the following types of income you or your spouse received during 1973 (do not include any income you reported in item 33):
   a. All Social Security benefits except those you received or educational benefits received by other members of your household; report your Social Security educational benefits only in item 44.
   b. All veterans benefits except those you received or educational benefits received by other members of your household; report your veterans benefits for education (G.I. Bill and War Orphans' and Widows' Education Assistance) in item 45.
   c. Welfare benefits—include amounts received through Aid to Families with Dependent Children and other similar programs.
   d. Child support received for those children included in item 7a above.
   e. Other—include any other income received in 1973 that was not subject to Federal Income Tax. Examples of such income are: military subsistence and quarters allowances, untaxed portions of pensions, untaxed portions of capital gains, income from tax-free municipal bonds, and untaxed earned income.

Do not include any amounts received from student aid programs such as educational loans, work-study programs, or scholarships.

36. Enter the amount of tax reported on line 18 of Federal Income Tax Return form 1040 or line 19 of form 1040A. If you and your spouse filed separately, enter the sum of your Federal Income Taxes paid. If you have not filed a Return for 1973 but will do so, enter an estimate of the tax to be paid. Do not copy tax withheld on W–2 form. If you and your spouse did not have to file a Return for 1973, enter a zero.

37. If you and your spouse itemized your deductions on your 1973 Federal Income Tax Return, enter the sum of lines 2 and 6 from Schedule A (form 1040). If you and/or your spouse took a standard deduction or did not have to file a Return for 1973, enter the amount of your household's medical expenses from the following list (do not include the amount of medical and dental expenses covered by insurance):
   a. Payments for medicines, prescription drugs, and vaccines.
   b. Payments to hospitals, doctors, dentists, and nurses.
   c. Payments for false teeth, eyeglasses, medical and surgical aids.
   d. Payments for ambulance service and other travel costs necessary to get medical care.

38. If you and your spouse itemized your deductions on your 1973 Return, enter the amount reported on line 29, Schedule A (form 1040). If you and/or your spouse took a standard deduction or did not have to file a Return for 1973, determine the amount of each loss, not covered by insurance, due to theft or property lost or damaged by fire, storm, car accident, shipwrecks, etc. Subtract $100 from the amount of each loss. Total the net amount of each of these losses and enter the sum.

NOTE: for a complete description of the expenses for items 37 and 38, see instructions for Federal Income Tax Return form 1040.

ASSETS

NOTE: In completing items 39–42, do not report any asset more than once.

39. a. Enter the estimated present market value of your home.
   b. Enter the amount of present unpaid mortgage or related debts on that home.

40. a. Enter the sum of the estimated present market value of other real estate you may own (report farm and business only in items 41 and 42 below); and the total market value of your investments, including stocks, bonds, and other securities.
   b. Enter the sum of the amount of present unpaid mortgage or related debts on that real estate and the amount of debts against your investments.

41–42. a. Enter the market value of your business or farm (including value of buildings, machinery, etc.). Do not include home if it was listed in item 39.
   b. Enter the amount of unpaid mortgage or related debts on your business or farm. If you own part of a business (farm), enter only the value of your share of business (farm), and only your share of unpaid mortgage.

43. Enter the appropriate amount. Do not include any amounts received through educational loans.

APPLICANT

44. a. Enter the amount of benefits *per month* you expect to receive between July 1, 1974 and June 30, 1975. Include only those Social Security benefits that you receive because you are or will be a student. If you do not know this amount, you may obtain this information from the Social Security Administration's District Office that services your claim.
   b. Enter the number of months you expect to receive Social Security educational benefits between July 1, 1974 and June 30, 1975.

45. a. Enter the amount of the benefits *per month* you expect to receive between July 1, 1974 and June 30, 1975 as part of the Veterans Educational Assistance—G.I. Bill Program. If you do not know this amount, contact your local Veterans Administration office. Also include the amount *per month* you expect to receive under the War Orphans' and Widows' Education Assistance Program. Include only those amounts that you receive because you are or will be a student. Do not include your spouse's veterans benefits for education.
   b. Enter the number of months you expect to receive veterans educational benefits between July 1, 1974 and June 30, 1975.

Please check again to make sure every item has been completed, and that zeroes have been entered for those items that do not apply to you or your spouse.

Please read the final statement carefully. You should sign in the appropriate place, along with your spouse. Applications which are not signed will be returned.

IMPORTANT: You are only eligible for this Program if you have begun your post-high school education after April 1, 1973.

DEPARTMENT OF HEALTH, EDUCATION AND WELFARE
OFFICE OF EDUCATION

OMB NO. 2-R0081
Form approved
FOR OFFICE OF EDUCATION USE ONLY

APPLICATION FOR DETERMINATION OF BASIC GRANT ELIGIBILITY FOR 1974–75 ACADEMIC YEAR

BASIC EDUCATIONAL OPPORTUNITY GRANT PROGRAM

READ INSTRUCTIONS FIRST

A APPLICANT INFORMATION

1. APPLICANT'S SOCIAL SECURITY NUMBER (1-9)

2. APPLICANT'S NAME (10-30) (31-42) (43)
LAST NAME FIRST NAME MIDDLE INITIAL

3. (a) Is Applicant: a U.S. Citizen or in the U.S. for other than a temporary purpose and intending to become a permanent resident or a permanent resident of the Trust Territories of the Pacific Islands? 1 ☐ YES 2 ☐ NO (44)

(b) APPLICANT'S BIRTH DATE (45-47)
MONTH DAY YEAR

4. Applicant's School or College for the 1974–75 Academic Year if such decision has been made. See instructions.

For Office of Education use only (48-59)

Please print:

Name of School or College

City State Code

SEE INSTRUCTIONS FOR LISTING OF STATE CODES

5. APPLICANT'S PERMANENT MAILING ADDRESS:

NUMBER AND STREET (54-77)

OR (1-9)

SEE INSTRUCTIONS FOR LISTING OF STATE CODES

CITY (10-30) (31-32) State Code ZIP CODE (33-37)

6. APPLICANT'S MARITAL STATUS: (78) 1 ☐ SINGLE 2 ☐ MARRIED 3 ☐ DIVORCED SEPARATED WIDOWED

7. IF APPLICANT IS MARRIED OR HAS DEPENDENTS, ANSWER BOTH (a) AND (b) BELOW:
(a) Total size of Applicant's Household—Include applicant, spouse, dependent children, other dependents (38-39)
(b) Number of Members of Household (including applicant) to be in post-high school educational institutions in 1974–75 (40-41)

8. Has applicant attended a college, university, post-high school vocational or technical school at any time before April 1, 1973? ☐ YES ☐ NO (42)

B PARENT INFORMATION

9. NAME OF PARENT (10-30) (31-42) (43)
LAST NAME FIRST NAME MIDDLE INITIAL

10. SOCIAL SECURITY NUMBER (1-9)

11. PARENTS' STATUS: 1 ☐ MARRIED 2 ☐ DIVORCED SEPARATED WIDOWED SINGLE (44)

12. TOTAL SIZE OF PARENTS' HOUSEHOLD —include applicant, parents, dependent children, other dependents (45-46)

13. NUMBER OF MEMBERS OF HOUSEHOLD (including applicant) TO BE IN POST-HIGH SCHOOL EDUCATIONAL INSTITUTIONS IN 1974–75 (47)

C APPLICANT'S STATUS

YOU MUST ANSWER EACH OF THE FOLLOWING QUESTIONS FOR EACH YEAR

14. DID OR WILL APPLICANT LIVE WITH PARENTS DURING — (46) (48) (50)
1973 1974 1975
1 ☐ YES 2 ☐ NO

15. APPLICANT IS, WAS, OR WILL BE LISTED AS AN EXEMPTION ON PARENTS' FEDERAL INCOME TAX RETURN DURING — (51) (52) (53)
1973 1974 1975
1 ☐ YES 2 ☐ NO

16. DID OR WILL APPLICANT RECEIVE $600 OR MORE IN FINANCIAL ASSISTANCE FROM PARENTS DURING (54) (55) (56)
1973 1974 1975
1 ☐ YES 2 ☐ NO

IF: YOU ANSWERED *YES* FOR *ANY* QUESTION FOR *ANY* YEAR IN SECTION C, COMPLETE ONLY SECTION D ON THE NEXT PAGE, AND SIGN.

OR: IF YOU ANSWERED *NO* FOR *ALL YEARS* AND *ALL QUESTIONS* IN SECTION C, COMPLETE ONLY SECTION E ON THE NEXT PAGE, AND SIGN.

41-848 O - 75 - 5

D PARENTS FINANCIAL STATEMENT

PARENT'S INCOME AND EXPENSES

17. TOTAL NUMBER OF EXEMPTIONS CLAIMED ON 1973 FEDERAL INCOME TAX RETURNS ▶ (27-28)

1973

18. ADJUSTED GROSS INCOME (from line 15 of IRS form 1040, or line 13 of IRS form 1040A) $ .00 (29-40)

19. ENTER THAT PORTION OF ITEM 18 EARNED THROUGH EMPLOYMENT BY:

(a) Father $ .00 (41-46)

(b) Mother $ .00 (47-52) 00 (1-3)

20. OTHER INCOME (Social Security, child support, tax-free bonds, capital gains, welfare, etc.). See instructions $ .00 (17-31)

21. TOTAL FEDERAL INCOME TAX PAID (from line 18 of IRS form 1040, or line 19 of 1040A) $ .00 (32-38)

UNUSUAL EXPENSES (See instructions)

22. MEDICAL and/or DENTAL $ .00 (37-51)

23. CASUALTY or THEFT LOSSES $ .00 (52-58)

PARENTS' ASSETS AND DEBTS

	PRESENT MARKET VALUE (a)	UNPAID MORTGAGE OR DEBTS (b)
24. HOME (27-40)	$ .00	$ .00
25. INVESTMENTS AND REAL ESTATE (see instructions) (40-50) 00 (1-3)	$ .00	$ .00
26. BUSINESS (13-26)	$ .00	$ .00
27. FARM (34-50)	$ .00	$ .00
28. CASH, SAVINGS ACCOUNTS, CHECKING ACCOUNTS	$ (30-40) .00	

APPLICANT'S SPECIAL EDUCATIONAL BENEFITS
(to be received between July 1, 1974 and June 30, 1975)

29. (a) Social Security benefits PER MONTH $ .00 (41-43)

(b) NUMBER OF MONTHS (44-45)

30. (a) Veteran's benefits PER MONTH (G.I. Bill) $ .00 (46-48)

(b) NUMBER OF MONTHS (49-50)

APPLICANT'S RESOURCES

31. SAVINGS, OTHER RESOURCES (See instructions) $ .00 (51-56)

"We certify that we have read this application and that it is accurate and complete to the best of our knowledge. We agree to provide, if requested, any documentation, including a copy of our 1973 Federal Income Tax Return, necessary to verify information reported on this form. I understand that the results of the eligibility calculation may be released upon request to appropriate State Student Financial Aid Agencies."

▲ APPLICANT ▲ (58) DATE COMPLETED (57-60)

▲ FATHER OR MALE GUARDIAN ▲ (61) ▲ MOTHER OR FEMALE GUARDIAN ▲ (62)

E APPLICANT'S FINANCIAL STATEMENT

INCOME AND EXPENSES: APPLICANT/SPOUSE

32. TOTAL NUMBER OF EXEMPTIONS CLAIMED ON 1973 FEDERAL INCOME TAX RETURNS ▶ (27-28)

1973

33. ADJUSTED GROSS INCOME (from line 15 of IRS form 1040, or line 13 of IRS form 1040A) $ .00 (29-40)

34. ENTER THAT PORTION OF ITEM 33 EARNED THROUGH EMPLOYMENT BY:

(a) Applicant $ .00 (41-46)

(b) Spouse $ .00 (47-52) 00 (1-3)

35. OTHER INCOME (Social Security, child support, tax-free bonds, capital gains, welfare, etc.). See instructions $ .00 (17-31)

36. TOTAL FEDERAL INCOME TAX PAID (from line 18 of IRS form 1040, or line 19 of 1040A) $ .00 (32-38)

UNUSUAL EXPENSES (See instructions)

37. MEDICAL and/or DENTAL $ .00 (37-51)

38. CASUALTY or THEFT LOSSES $ .00 (52-58)

ASSETS AND DEBTS: APPLICANT/SPOUSE

	PRESENT MARKET VALUE (a)	UNPAID MORTGAGE OR DEBTS (b)
39. HOME (27-40)	$ .00	$ .00
40. INVESTMENTS AND REAL ESTATE (see instructions) (40-50) 00 (1-3)	$ .00	$ .00
41. BUSINESS (13-26)	$ .00	$ .00
42. FARM (34-50)	$ .00	$ .00
43. CASH, SAVINGS ACCOUNTS, CHECKING ACCOUNTS	$ (30-40) .00	

APPLICANT'S SPECIAL EDUCATIONAL BENEFITS
(to be received between July 1, 1974 and June 30, 1975)

44. (a) Social Security benefits PER MONTH $ .00 (41-43)

(b) NUMBER OF MONTHS (44-45)

45. (a) Veteran's benefits PER MONTH (G.I. Bill) $ .00 (46-48)

(b) NUMBER OF MONTHS (49-50)

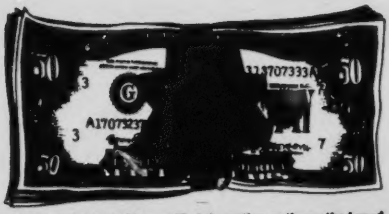
I (We) certify that I (We) have read this application and that it is accurate and complete to the best of my (our) knowledge. I (We) agree to provide, if requested, any documentation, including a copy of my (our) 1973 Federal Income Tax Return, necessary to verify information submitted on this form. I (We) understand that the results of the eligibility calculation may be released upon request to appropriate State Student Financial Aid Agencies.

▲ APPLICANT ▲ (51) ▲ APPLICANT'S SPOUSE ▲ (52) DATE COMPLETED (53-56)

WARNING: ANY PERSON WHO KNOWINGLY MAKES A FALSE STATEMENT OR MISREPRESENTATION ON THIS FORM SHALL BE SUBJECT TO A FINE OR TO IMPRISONMENT OR TO BOTH UNDER PROVISIONS OF THE UNITED STATES CRIMINAL CODE

MAIL COMPLETED FORM TO:
BEOG
P.O. BOX 2304
WASHINGTON, D.C. 20013

☆ U.S. GOVERNMENT PRINTING OFFICE: 1974 — 537 - 519



If you are interested in specific information on the method used in determining your Basic Grant Eligibility Index, please write to: BEOG, P.O. Box 2468, Washington, D.C. 20013. Ask for a copy of "Basic Grant Eligibility."

Senator PELL. As I understand it, you have made four changes. First you have updated it to take into account and consider inflation.

Second, you change your treatment of social security and veterans' benefits.

Third, you have upped the asset reserve from $7,500 to $8,500.

And, fourth, the independent students are assessed on the basis of the current year, not the previous year.

Mr. BELL. That is right, Mr. Chairman.

Senator PELL. I think for the future if you could just say that in 1 minute, it will come through clearly.

Is there anything of importance beyond that?

Mr. BELL. I think we need to correct one point on the independent students, and I will ask Mr. Phillips to respond to that, if he will.

Mr. PHILLIPS. Well, the recommendation here covers only independent students who were working full-time the previous year, and who are making a choice to leave full-time employment in order to go into full-time student status.

It is not for all independent students that we would use estimated year data.

Senator PELL. I think the fault now rests almost entirely with the Congress for not appropriating the necessary funds. The agency has followed the intent of the Congress, broadened the base of those who are eligible, and Congress has not, as it should have, appropriated the additional funds to handle on an equal basis this broader base.

Is that not true?

Mr. BELL. I am concerned that the size of these grants not be decreased so much that they lose their significance, as I am sure the chairman is aware, in this regard.

Senator PELL. Right. I regret it, too. We would hope that the pressure of the different students who had already benefited by the basic grant each year, as you know, would become an interest group who would cause the appropriation to be expanded the next year. But this apparently is not working as well as the subcommittee had hoped, and I am sure you had hoped also.

Mr. BELL. Right.

Senator PELL. I commend you on the speed in which you have gone ahead with the basic grant program, because you really have moved fast especially bearing in mind the weakness of Government with regard to expeditious action.

I would note that other changes in higher education programs made more than 2 years ago have not been similarly implemented.

When would you expect the regulations effecting the changes made by Congress in the supplemental educational grant program and the college work study program?

We are getting some questions on that.

Mr. BELL. I will ask Mr. Herrell, who is the Bureau Chief, to respond to that.

Mr. HERRELL. Senator, it is expected that supplemental education grant regulations will be out within the next 30 days.

Mr. BELL. I would say, Mr. Chairman, that I am certainly pressing on these.

I have just constantly heard about our slowness in getting regulations out, and I really feel that we have got to improve our track

record. And I know we are constantly promising these, but they will be out, and we are making progress on this problem and the great backlog that we have in this regard.

Senator PELL. I guess my own ambition is to see these grants move up to the full 1,400 and moving on from there. That would be probably some years from now.

Mr. BELL. I would expect it would be with the economic situation that we have now.

Senator PELL. But you see it operating as the floor on which we will build some of the other programs.

Mr. BELL. Yes.

And this, of course, is part of the whole package. And I think a very fine student aid program so that we can make them really fully meaningful.

Senator PELL. When Mr. Weinberger was before us for confirmation, he referred to the grants as the Pell Grants.

Does anybody do that any more within HEW?

Mr. BELL. I have not heard that, Mr. Chairman, and I am relatively new. They still may be doing that.

Senator PELL. Thank you.

On a totally different matter, the Congress passed the Education Amendments of 1974 this year, and this set up certain programs and requirements for the implementation of those programs.

Would you supply for the record, if you could, a status report on the implementation of that bill? As you know, we are still awaiting program recommendations and implementation to some of the 1972 amendments, and we do not want this same delay to occur this year.

[The status report referred to follows:]

IMPLEMENTATION SCHEDULE—PUBLIC LAW 93-38

Area	Section No.	Date proposed rule
Title I ESEA:		
1. General and local educational agencies	101	Mar. 21, 1975
2. State agencies		Apr. 18, 1975
Bilingual	105	
1. Fiscal year 1975		Jan. 13, 1975
2. Fiscal year 1976		Apr. 18, 1975
Open meetings	110	Mar. 1, 1975
Ethnic studies	111	Jan. 9, 1975
1. Equalization	304	Jan. 15, 1975
2. Fiscal year 1975	301-305	Feb. 15, 1975
3. Fiscal year 1976	301-305	Apr. 18, 1975
Consolidated programs	401	Mar. 1, 1975
Special projects	402-409	Apr. 18, 1975
Simplified state plan	511	Mar. 1, 1975
Privacy 438(c)	513	Apr. 18, 1975
Adult education	601-609	Jan. 7, 1975
Handicapped, pt. B	614-615	Apr. 18, 1975
Regional educational programs	616	Apr. 18, 1975
Instructional media	620	Dec. 15, 1974
Indian education, pt. B	632	Feb. 1, 1975
ESAA	641	Jan. 5, 1975
National reading improvement program	701-732	Apr. 18, 1975
Developing institutions	832	Nov. 15, 1974
TRIO- bilingual	833	[1] Apr. 18, 1975
Veterans cost of instruction	834	Dec. 23, 1974
Teacher corps	835	Jan. 2, 1975
Assistance for training in the legal profession	836	Apr. 18, 1975
Vocational education, pt. J (bilingual)	841(a)	Apr. 1, 1975
LSCA (bilingual)	841(b)	Apr. 1, 1975

[1] Date for promulgation of full regulations; funding criteria for fiscal year 1975 operation will be published earlier and will incorporate section 833.

Senator PELL. I recognize some of these regulations are very, very difficult. For instance, the one on sex discrimination particularly, with which we are wrestling.

And, also, I recognize your problem in connection with the privacy of schools. And I have discussed it with Senator Buckley, and we have to accept the concept even though I oppose it on the floor. We have to accept it now that it is law. I understand what you want us to do is to delay it a year while you wrestle with it a little bit more.

Mr. BELL. You want a report on that?

Senator PELL. No, no.

On the implementation of the other provisions.

Mr. BELL. I will ask Mr. Herrell to respond to that.

Mr. HERRELL. In accordance with the demands of Congress, we have 60 days to make such report, and we have no reason to believe that it will not be submitted to the Congress on time.

Senator PELL. Going to this question of the implementation of the Buckley amendment, I have no reservations, hesitation about it being postponed 1 year. But it would be very good if Senator Buckley, acquiesced in this, too. And I think it would be a good idea if the administration expressed its views to him.

Mr. COOKE. Mr. Chairman, if I might respond to that for a minute.

We will be having discussion of the privacy implementation with staff on next Monday, and Senator Buckley's staff has also been invited to that.

I appreciate what you have said, and I am sure the administration will be indeed in touch with Senator Buckley to discuss this issue.

You are absolutely correct that the complexity of the privacy amendments are such that it is going to take both the Congress and the administration a bit of time to not go astray.

Senator PELL. Another question that is of interest to this committee is the antiregionalization language of the 1974 amendments which require the bringing back to Washington of any program which was moved after June of 1973, and looks with disfavor on some of the OMB directives that we believe circumvent the congressional intent.

Has this been implemented?

Have any programs been brought back to Washington?

Mr. BELL. Yes, Mr. Chairman.

The matter of where we are on this is a thing that we are examining now in my office.

I think that one thing the recent legislation did was to settle that issue once and for all. And so it has kept us from being in the middle, so to speak.

We are now examining what programs were placed out there after June of 1973.

I have a report on my desk on this matter at the present time, and we expect that we will be in full compliance with that, at least by the close of this calendar year.

We are very conscious of that, and it is our intent, and my intent personally, to see that we comply fully with that.

We will keep in close touch with your office and staff on this.

Senator PELL. Finally, it has been suggested that we might remove assets entirely from the consideration of the basic educational opportunity grants.

What would be the impact if that was done, if assets were not considered a factor?

How much would it lower the present grants to the student with no more money appropriated?

Mr. BELL. The thing we are concerned about here, of course, is with the limited money that we not dilute the amount of the grants.

I think Peter Voigt could handle some detailed discussion.

Senator PELL. Just a simple question and submit the answer for the record.

If the assets were not considered, how much percentage wise would that reduce the present grants?

Mr. VOIGT. It would reduce the awards by approximately one-third and possibly a little higher than that.

I think at full funding it would cost around $600 million, or an increase of between 33 percent and 35 percent.

Senator PELL. Thank you for a specific and clear answer.

Thank you very much, Mr. Commissioner, and I am happy that you came and hope to see you again.

Our next witness is Mrs. Lois Rice, vice president, College Entrance Examination Board.

Do you have a prepared statement?

STATEMENT OF MRS. LOIS RICE, VICE PRESIDENT, COLLEGE ENTRANCE EXAMINATION BOARD, ACCOMPANIED BY JAMES BOWMAN, EDUCATIONAL TESTING SERVICE

Mrs. Rice. No, Mr. Chairman.

I have notes, and I am not giving a prepared statement. I'm also not appearing as a representative of the College Entrance Examination Board, or its members.

I should like to introduce a colleague, someone you are familiar with, Mr. James Bowman, of the Educational Testing Service, where he is director of financial aid studies.

I want to say how very pleased we are to be with you to discuss basic grants with the father of that most significant program, which probably should have been called Pell grants. It is a program that is growing past infancy entering early childhood and becoming the centerpiece of the Federal strategy to support students in postsecondary education.

I should like to divide our testimony into two parts with Mr. Bowman responding to some of the specific suggestions that the administration has just presented to you, and then realizing all of the time constraints of this particular schedule, I should like to suggest, for the future some alternatives that I think the committee can consider over time and for possible incorporation in the schedule for the academic year 1976–77.

First I should like to commend OE for its proposals which vastly improve, in my view, the equity of the basic grants schedule, particularly the proposed changes in the treatment of social security benefits and independent students who have been previously employed.

I should also stress that I share OE's sense of urgency that the schedule has to emerge soon if basic grants are ever to become the foundation on which other forms of student aid will be built.

I regret, however, that demands of the calendar do not permit this subcommittee or its counterpart in the House to hear and debate in greater depth alternatives for change in the schedule. Once again, we are pressed into action.

I shall now turn to Mr. Bowman for some suggestions and comments on the four proposals presented to you by the administration. I shall then follow him with some suggested changes for the future.

Mr. BOWMAN. Senator, again it is indeed a pleasure to appear before your subcommittee, and I would like to reiterate that I am primarily speaking as an economist with some degree of experience and work in this area of student assistances.

I am not officially representing the Educational Testing Service nor do their views necessarily coincide with mine.

Briefly, I'd like to comment on the proposals advanced by Commissioner Bell this morning, proposals which are generally steps in the right direction.

With respect to the family size offsets, this is a step forward in recognition of continuing pressures within the economy.

However, it is my feeling that merely to adjust the family size offsets to the change in the price index does not really reflect the actual effects on many of the families for whom basic grants are intended to aid.

We have to remember that the family size offsets currently used in the basic grant contribution schedule are based on extremely limited budget standards where the bulk of expenditures occur for the very basic family necessities.

It is these necessities—such as food, fuel, housing, and clothing—where price increases in our economy are the greatest and tend to exceed the consumer price index as a whole.

Inflation, as we all know, is a very cruel tax. But it is the cruelest tax of all for the people of extremely low income.

With inflation predicted to continue at an unprecedented rate for several years to come, a more equitable approach would be to have the family size offsets based on a more liberal set of standards, for example the BLS moderate, or some adjustment to the BLS low standards.

As indicated by Commissioner Bell, the proposals advanced for social security and veterans' benefits are long overdue.

The changes in social security eliminate a vexing problem, not only to families, receiving such benefits, but also to the financial aid community.

I particularly support the proposal for changes in the treatment of veterans' benefits as family income.

As the 1974–75 summary statistics for the basic grant program indicate, the percentage of veterans qualifying for basic grants is still the lowest of any participating group in the program, even though it is double the number that were found qualified in the first year of the program.

As the Senator is undoubtedly aware, the Educational Testing Service conducted a study for the Congress under section 41 of Public Law 92–540—that is the Vietnam Veterans Adjustment Assistance Act of 1972. This report, entitled "Educational Assistance to Veterans," under the three GI bills, found that the current veteran was at a severe disadvantage with respect to access to education in comparison to his counterpart of World War II.

This results from a combination of the limited benefits available to veterans today, coupled with educational costs that have increased faster then any other segment in our economy.

The study also found that while substantial need existed for additional resources, participation by veterans in other student financial aid programs in the Office of Education has been extremely small.

These findings, together with other evidence, contributed, I think, greatly to the unanimous passage in the Senate of a bill which increased veterans' benefits and provided, for the first time since World War II, a direct tuition benefit payment.

It is unfortunate that the House has not yet provided similar provisions.

However, we do feel the proposed changes submitted by the Commissioner of Education for the treatment of veterans' benefits will assist in broadening benefits which are so sorely needed by this segment of the population.

In the treatment of assets, the proposed increase in allowance is again a very needed move.

We feel it will go far in aiding those families with limited moneys who have modest equity in their homes.

Again, while many special groups have been identified, it would appear that that group where the greatest inequity lies is the small farmer whose only assets consist of land improvements and equipment.

The provisions of an offset against the family size allowance will assist in some regard, but it is probable that other steps are needed.

Many small farmers, particularly those with incomes under $6,000, are being excluded from basic grant participation because of the current asset treatment.

A study conducted by the Washington Office of the College Entrance Examination Board for the Office of Education indicates a more equitable treatment might result for such families if only 50 percent of the farm assets were used rather than the total amount which is considered at the present time.

These are my basic comments. We strongly support the direction of OE's suggested recommendations.

Senator Pell. Thank you. Mrs. Rice, would you like to continue?

Mrs. RICE. Mr. Bowman has been referring to some of the inequities of the schedule for farmers and implicitly for businessmen. There were some proposed remedies last year for farm families with low earnings—under $3,000—or under the family size offset. They went a long way to help farmers and businessmen. I should like to leave for the record a copy of the study we conducted on the asset holdings of farmers and businessmen as they relate to BEOG.

[The document referred to follows:]

TABLE II

DEPENDENT APPLICANTS BY ELIGIBILITY STATUS AND INCOME RANGE (1974-75)

Dependent Applicants	INCOME RANGE $0-2,999	$3,000-4,499	$4,500-5,999	$6,000-8,999	$9,000-11,999	$12,000+	Total
Qualifying	97.1%	90.9%	85.8%	80.5%	66.0%	17.8%	56.0%
Non Qualifying	2.9%	9.1%	14.2	19.5%	34.0%	82.2%	44.0%
Total Percentage	100%	100%	100%	100%	100%	100%	100%
Total number of Dependent Applicants	62,768	47,535	49,906	106,990	110,517	247,722	625,438
Number of Qualified Dependent Applicants	60,946	43,227	42,803	86,115	72,937	44,032	350,060
Percentage of Qualified Applicants within Each Income Range	17.4%	12.3%	12.2%	24.7%	20.8%	12.6%	100%

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Mrs. RICE. Any suggestions for change have to have a set of objectives. All of us know the objectives of the basic grants program. Some things are currently occurring that do not live up to the intent of that legislation.

The basic grants program authorized in 1972 was intended to open college doors to any qualified student, with the amount of grant fixed by his need, and irrespective of whether he lived in Arkansas or Connecticut or Rhode Island, or whether ever he sought to go to school. Supplemented by other types of aid, BEOG could also assure eligible students a choice among postsecondary institutions.

The framers of the legislation wanted the program to be equitable and, above all, simple so that eligible students would have early and certain knowledge of their entitlements thereby inducing new students to pursue opportunities for postsecondary education.

An entitlement grant program, such as BEOG, is most effective when the applicant can submit a relatively simple application permitting early and certain knowledge of the size and amounts of his grant.

The asset tax test is complex and confusing to students and their families, making it unnecessarily difficult for the applicant to complete the application.

I should like to return to the asset test in just a moment. First I'd like to share your very strong feelings about making the basic grant program as simple and as equitable as possible. Then when we consider substantive changes in the legislation, I should like to share with you some thoughts that could make the basic grants program, with minor change, a type of educational voucher.

At this point however, I'll restrict my comments to nonlegislative changes, procedural changes in the family contribution schedule for future consideration by this subcommittee.

The basic grants program was not intended to restrict eligibility to the program to a narrow population—although this is a result of a $1,400 maximum award coupled with the family contribution schedule developed by the Office of Education—it was not intended to discourage needy students from participating in the program—although this is, in fact, the effect of the complex application procedures which have been detailed and developed by the Office of Education.

I should like to refer the subcommittee to table 2 of the material that is received by the Commissioner, which shows the number of dependent applicants by eligibility status and family income.

I was somewhat disturbed, as I am sure you must be, by the small number of applicants from families with incomes below $6,000 a year; roughly 62 percent of the grants—admittedly they are small grants—are going to families with incomes between $6,000 and $12,000 plus family incomes.

Some very concerted effort has to be made to try to reach the population that has been so under-represented in postsecondary education; namely, families with students from families with less than $6,000 a year.

This may be a communications problem.

The following suggestions for change seek to maximize the intended purposes, of the program and to minimize unintended effects.

First of all, I should like to suggest Mr. Chairman——

Senator PELL. Perhaps I do not understand the table.

You are saying that only 17 percent of those who have an income of less than $3,000 received a grant?

Mrs. RICE. The table says that of such applicants only that percentage was eligible.

It says 17 percent of all qualified applicants came from incomes below $3,000.

Senator PELL. I see.

Mrs. RICE. If you go down to the line that says total number of dependent applicants or 62,000 from family incomes and compare this with families below $3,000, $12,000 and above level, you will see that in the latter category 247,000 applicants were in the program.

Senator PELL. In other words, what you are saying is not enough applied out of that group?

Mrs. RICE. That is right.

I am not sure whether we are communicating with low income families. I'm not sure they are able to fill out the application.

There may be several reasons for this.

There are certainly more people in higher education in the $8,000 to $12,000 range.

Senator PELL. Perhaps when you are in such a depressed state of poverty, you do not even try to think of breaking out.

Mrs. RICE. That is possible but these students have some hope from the program.

Senator PELL. I think other social programs are designed to do that. I am not sure this program is designed to have in it the capacity for communication and getting people to break out.

This is to make it available, and through other channels they can communicate, we hope.

But, do you think it is part of the responsibility of this program?

Mrs. RICE. Yes—if we are to succeed in achieving equal opportunity.

What these data may suggest is that we are not communicating adequately with agencies dealing with able low-income students who could benefit from the program.

We know from all available data how high the aspirations for higher education are within low income groups. Every study has pointed this out. Higher education is often their only chance to break out of the poverty cycle and to gain upward social and economic mobility.

I am simply saying, we may need to focus on better communications with students who are in the kinds of schools where there is not adequate counseling, where guidance counselors do not or cannot afford to get to workshops, and where we need to reach a new clientele seeking postsecondary education.

Senator PELL. On the other hand, I think there are many communities where to finish high school is a great achievement.

In my State, two-thirds of those who are over 30 years of age have not completed high school. So, these are the parents of these youngsters

Mrs. RICE. There are many factors, indeed, that relate to this.

Senator PELL. That is one of the reasons they are not breaking out.

Mrs. RICE. I would like to turn to the tax on assets.

The application form and the family contribution schedule could, in the future, be simplified so that students and their families can understand them better and not be deterred from applying for the program.

Under current procedures, determination of family contribution is complicated by the inclusion of a tax on assets. While the asset tax has the merit of excluding students from high wealth, low income homes—the fabled millionaire businessman who always shows losses—the price paid is heavy, indeed.

Families are often led to believe that their homes will be confiscated; they have incentives to cheat in estimating the market value of real assets. And they may be induced to invest in nontaxable assets.

I realize that assets—according to the law—have to be part of the consideration under the BEOG Family Contribution Schedule, but this tax could be simplified and the form simplified if future consideration were to be given to considering the assets of anyone who does not indicate assets in excess of some given amount—let's say, $25,000 or more in assets, or probably $50,000 in assets. At worst a few odd ball cases would be made eligible. But if the millionaire can really keep his income low, it seems to me that remedial action is required in Federal taxation and not in the basic grant program.

First of all, the forms and accompanying instructions are forbidding.

On the income and expense side, families must report adjusted income which is readjusted if after divorce or separation occurs after application. They must report taxable income, income tax paid, earnings of both parents, medical and other unusual expenses.

Most of these items, in my view, could be eliminated if in the future, consideration were given to a simplified form which merely based the family contribution on taxable income taken immediately off existing tax forms.

New York State uses taxable income in its means tax, and a report of the New York State Board of Regents found a very high correlation between net taxable income and gross tax.

The report noted, and I quote:

"Families rarely received more than $2,000 in nontaxable income and inclusion of nontaxable income in the State's means test would have major impact on low income social security holders or families where the principal wage earner is deceased or retired."

I should also like to suggest for the future some change in the year of income used in calculating family contribution—from the current year income preferably to prior year or to estimated year for the year in which the grant will be used.

Families must now report on the application form certain items from their tax or W–2 forms for the tax year preceding the academic year when the student will use the basic grant.

This requirement effectively bars application for the program until families file a tax form. And for most Americans, that is not before April 15.

Students, therefore, cannot receive notice of their grant eligibility until the late spring or summer preceding entry in the fall.

I am suggesting that consideration be given to the use of prior year income because that is income that can be reported accurately: it also permits the use of taxable income.

Furthermore, with earlier information, institutions could begin to build a package of aid for grant recipients: basic grants could finally become the foundation for other forms of student assistance.

Another consideration for the future is to develop better definitions of the independent student.

Currently, a student can achieve independent status if he is not and will not be claimed as a dependent for tax purposes nor receive more than $600 from his parents for 2 consecutive years prior to the academic year in which the grant will be used.

Additional criteria is that he has not spent more than 2 consecutive weeks in a calendar year with his parents.

With no great ingenuity, a student could circumvent this last requirement by spending a night every other week with a friend.

These requirements seek to prevent instant emancipation of the student who could not qualify for a grant if his families' income and assets were considered. I can understand the desire to prevent instant emancipation but it seems to me that the program could be made far simpler if characteristics which are not e asily manipulated but are easily measured were considered. For example, we could consider all veterans independent, or all married students above a certain age level, all orphans, wards of the State, students over 25 years of age, or some other specified age level. Our CEEB studies indicate in consideration these categories alone, we would add only about 8 percent to the number of eligible independents students.

Those are a few suggestions, Mr. Chairman, not for the immediate crisis in getting a schedule approved but for the future. I certainly want to underline again the urgency of approving a schedule and do hope these suggestions will provoke some thought in the Office of Education, the educational community, and the committees.

Thank you.

I shall be happy to answer any questions.

Senator PELL. My understanding is that the situation exists because more youngsters are being made eligible, each will get less unless we put more money into the pot.

That is simply what our problem is.

In this regard, I understand your own recommendation would be to dilute it even further, hoping that the pot would eventually get filled, is that correct?

Mrs. RICE. Well, I think that some of my suggestions would widen the eligible population.

For example, if you were to move away completely from considering assets—which could not be done without changing the statute itself—it would cost about $300 million in the program.

But I think if we were taxing assets over $25,000 or $50,000, that figure would be greatly reduced.

You and I have long urged and worked very hard to get more money for the program.

Senator PELL. Are there any other ways that you can think of that through the administrative side the program can be simplified?

I agree with one of the points you made that we want to keep this as simple as possible. And one of the problems is that it is very complicated.

I think the administration has done a pretty good job at somewhat simplifying it.

Do you have any suggestions along this line?

Mrs. RICE. I have just one other thought. The amount of social security benefits that a family gets or is attributable to the student is certainly a very difficult thing for families to determine. There are complex formulas for determining these benefits. It might make some sense, to consider a standard amount, or average of the social security educational benefits that students receive.

I am just pulling a figure out of the air at the moment because I need to know more about those benefits myself, but we could possibly fix in regulation or in law an amount for educational benefits that is based upon an average. If they could be added to family income. It is now very hard for families to figure all of these benefits and really determine what amount goes into a particular child—note Mr. Bell's testimony.

While the administration's proposals eliminate this problem to some degree, I think if we could use some fixed amount for benefits removing a lot of the calculations that families must now calculate.

Mr. BOWMAN. Senator, if I might comment, following the question the Senator asked, I think the Office of Education has gone a long way in trying to simplify its procedures.

The training sessions they conducted have helped immensely to eliminate the complexity of the program. We need more work with students too.

Simplification of the program will have to come through the statute itself.

The CEEB and ETS are conducting several studies on the impact on the distribution and effects of eliminating the various requirements of the statute. These studies offer greatest possiblity for fruitful future change.

Senator PELL. Thank you both very much, indeed, and I know of your interest in this subject, and I am glad you came.

I also want to clear the record at one point where I may have given the wrong impression in connection with the Buckley amendment. Senator Buckley has given no expression of opinion as to what his view would be with regard to the postponement or its elimination.

What I said is I thought it ought to be postponed, but it is under discussion.

Mrs. RICE. We should be happy to share with you a number of letters detailing concerns we have been receiving from admission officers and college presidents about the Buckley amendment.

Senator PELL. I would be grateful to have copies for the appendix of the record.

As I say, I do not know what the view of Senator Buckley will be in this regard, but it is a problem and I hope, eventually, that he may be persuaded to see it postponed for awhile.

But let me add that he made no commitment in that regard.

The next witness will be Mr. Robert M. Pickett, legislative director National Student Lobby.

Mr. Pickett, if you will come forward, we will be pleased to hear from you.

STATEMENT OF ROBERT M. PICKETT, LEGISLATIVE DIRECTOR, NATIONAL STUDENT LOBBY

Mr. PICKETT. Mr. Chairman, I would like to thank you for this opportunity to testify on the Basic Educational Opportunity Grant Expected Family Contribution Schedule for the 1975–76 academic year.

I am Robert Pickett, legislative director of the National Student Lobby. During the period 1971–72, the National Student Lobby focused on the authorization of the BEOG program as the cornerstone of the Federal Government's role in the eventual development of full and legally enforceable "entitlement" rights to access to postsecondary education for each person in this country. If funding for this program continues to increase, it will become that cornerstone.

While there are many aspects of the BEOG Family Contribution Schedule which are worthy of comment and have been the object of much discussion in the last two approval cycles, we shall restrict our comments to three main issues: the definition of independent students, treatment of assets, and provisions for the use of current year data for computing eligibility.

Before proceeding, a general comment about the BEOG Family Contribution Schedule is in order. As has been pointed out on numerous occasions during the short life of the BEOG program, the overall effect of the family contribution schedules adopted by the U.S. Office of Education has been to severely—perhaps unreasonably—restrict access to the program for many lower middle income families.

Data for the first year indicated that the overwhelming bulk of BEOG recipients came from families with yearly incomes below $11,500. The existing regulations eliminate access for students from families with $11,000 to $15,000 annual incomes and severely restrict it for students from families in the $9,000 to $11,000 range.

Students from these groups can in many cases show demonstrable need in large amounts, however the expected family contributions are set at a level which excludes them from eligibility. These expected family contributions are excessively high and often quite unreasonable to expect from families hit hard by double digit inflation. The net effect is to turn the family contribution schedule into a rationing device for limited funds, rather than to serve as a true measure of the resources available to a student to meet his first $1,400 of postsecondary educational expenses.

While the National Student Lobby, along with the rest of the postsecondary community, is still wrestling with the appropriate way to deal with the question of how independent students should be treated with respect to financial aid, we would like to suggest several possible modifications in the definition of the independent student.

We recognize the potential problems that could be caused in a financial aid system characterized by extremely limited resources versus the potential demand for such funds. These suggestions, however, attempt to move the current system in the direction of a more rational system that recognizes the reality of the world facing students.

We believe that the restriction relating to an applicant's tax relationship with his or her parents in the calendar year prior to the

academic year in which aid is requested should allow an applicant, who has experienced a substantial change in circumstances, the option to use his current year situation.

The current regulation is of dubious constitutionality, and several analagous cases dealing with eligibility for food stamps have concluded that "tax dependency in 1 calendar year as a basis for determining an individual's need in the following year has no rational connection." Standards of fairness and due process require that an individual be allowed an opportunity to present current evidence that his situation has changed and that present need exists.

The National Student Lobby believes that consideration should be given to raising the maximum financial assistance that a parent can give an independent student to $1,200—including both cash and in kind contributions. The $1,200 figure is selected because it is approximately one-half of the total expenses of a resident student at a 4-year public institution.

This figure should also contain an adjustment for inflation. This maximum financial assistance level should also contain an inflation adjustor. The maximum cash contribution could be two-thirds of that figure—$800. The 2-week limitation on residing in the parents' home should be dropped altogether—this restriction is completely unenforceable.

One possible approach would be to consider each month spent in the parents' home as the equivalent of a $50 in kind contribution. This approach would encourage students to save the room and board they would have to pay if they were forced out of their parents' home to retain independent status.

We believe that this treatment of the independent student might bring regulations more in line with reality, encourage parents to assist independent students up to some maximum figure, and provide the self-supporting student with greater access to the program.

We would like to register our objection to the unreasonable requirements for contributions from assets. The proposed $8,500 asset reserve of the Office of Education is totally inadequate since the proposed increase of $1,000 does not even keep pace with inflation since the first schedule. The asset reserve should be raised to $15,000 with annual increases tied to the cost-of-living increases.

The asset reserve is one of the most restrictive aspects of the family contribution schedule, particularly with regard to lower middle income assets with almost any amount of home equity. The bulk of most family assets are contained in home equity. It is generally a nonliquid asset and is particularly so during times characterized by 10 to 12 percent interest rates. The supply of mortgage money is so short that it makes liquidity of home equity into a distant dream.

The National Student Lobby believes that provisions should be studied to allow the use of current year income and tax dependency in determining basic grant eligibility. The due process clause of the 14th amendment requires that the Government act on an individualized basis, with general propositions serving only as rebuttable presumptions or other burden shifting devices.

We believe that the use of a person's previous year situation should be a rebuttable proposition. All individuals and families can experience a change in their income situations, and in such instances should be

allowed to use estimated current year income—by affidavit—to determine current year eligibility.

The Department of Agriculture has taken recognition of this important principle in drafting its proposed regulations dealing with eligibility of college students for food stamps—current year income is used to determine eligibility.

The Office of Education has proposed "Permitting all independent applicants who were not students in the base year and who were employed on a full-time basis, to file a basic grant application using estimated current year income data."

We believe that this proposal should be broadened to allow all independent students who have experienced a substantial income change over the base year—including those who were employed part-time and were part-time students in the base year—to file a basic grant application using estimated current year income data.

Each of our suggested alternatives should be carefully examined and a cost analysis model should be developed to assess the impact of each proposal on the following factors: number of eligible students, size of the family contribution, number of grant recipients, average grant size, and number of independent students. This information must be brought to light before any major revisions are made in the family contribution schedule, and only then can the various problems of equity be dealt with.

Mr. Chairman, I would like to thank you again for allowing me this opportunity to speak before your subcommittee, and I would welcome any questions.

Senator PELL. Thank you. I appreciate your coming here, and recall the great help your organization was in the passage of the Higher Education Act of 1972.

Are you a full-time lobbyist for the National Student Lobby, or a student yourself?

Mr. PICKETT. Yes, sir, I am.

Senator PELL. Are you a student also?

Mr. PICKETT. I am a part-time graduate student, doing extension work.

Senator PELL. As I understand the problem, it is that the lower middle income and the middle-income families are expected to contribute still too much to the education.

Is this what you are saying?

Mr. PICKETT. Yes, sir, probably in the income bracket of $12,000 to $15,000 per year, that particular segment.

Senator PELL. I notice from the tables that Mrs. Rice gave us, that the number of those in the $12,000 up who received grants, were qualified, was about 18 percent, but the interesting thing is that the number of youngsters who applied out of that income bracket almost equaled the total number that applied for all the lower income brackets, so that apparently is where the interest is, but the more eligible, the more we qualify, the funds will have to be diluted, and this is the problem.

Mr. PICKETT. Exactly. I realize this is a variable, that is the problem.

You are talking about a fixed appropriation, and you run into the phenomena of the zero sum game in which, for every winner, there is,

of course, a loser, and so whenever you talk about increasing the pool of eligibles there is a resultant decrease in the size of the average basic grant, and this is one thing that I believe should be carefully considered for each of these proposals, like I mention.

The Office of Education, I believe, has an adequate data base from the 2 years of family contribution schedule that they have, and so, for example, for each alternate definition of the independent student can figure exactly what the impact is.

If the resultant decrease in the size of the average basic grant for, let us say, raising the home equity to $12,000 or $15,000, is a reduction of only $75, perhaps that is a move that should be considered, because a small reduction like that probably would not significantly impede access for most students.

If the reduction is $150 or $200 then it should be looked at much more carefully, and any steps should be taken with a great deal of prudence and caution.

Senator PELL. My aim is that 16 years of education will be available to youngsters, not like the 12 years now.

The whole idea of the basic educational opportunity grant is that it should be a big long step in that direction, and when we finally see the day that it is fully funded, we will be halfway to that concept.

Very good. I thank you very much for coming and being with us today.

Our final witness is Mrs. Eunice L. Edwards, associate director of State and Federal relations for the National Association of Student Financial Aid Administrators, and director of financial aid at Fisk University of Nashville, Tenn.

STATEMENT OF EUNICE L. EDWARDS, ASSOCIATE DIRECTOR, COMMISSION ON STATE AND FEDERAL RELATIONS, NATIONAL ASSOCIATION OF STUDENT FINANCIAL AID ADMINISTRATORS, AND DIRECTOR OF FINANCIAL AID AT FISK UNIVERSITY, NASHVILLE, TENN., ACCOMPANIED BY RICHARD L. TOMBAUGH, EXECUTIVE SECRETARY OF NASFAA

Mrs. EDWARDS. Good morning. Thank you very much for allowing Mr. Richard L. Tombaugh, executive secretary of NASFAA to accompany me.

We are pleased to have the opportunity to appear before the subcommittee today to present the views of NASFAA regarding the proposed family contribution schedule for the 1975–76 basic educational opportunity grant program.

I have been asked to advise you that our testimony also reflects the views of the American Council on Education, which has chosen to endorse this statement rather than present additional verbal testimony.

Each of these appearances relative to the basic grants program becomes more pleasant than the last, in that each time the Office of Education proposes changes similar to those we have previously recommended. While we regret the passage of time required for our positions to gain acceptance in USOE, we appreciate the fact that we have fewer and fewer problems with their proposed schedule when it comes to you for approval.

More specifically, we applaud the USOE proposals to treat all of the social security income and one-half of the Veterans' Administration benefits as a part of the family income, and to use the estimated income of the independent student who had been employed full time during the base year. Both of these changes are consistent with recommendations we have advanced since the inaugural year of the basic grants program.

Attached to our statement is a comprehensive analysis of the current difficulty with the social security treatment as provided to Mr. O'Hara by one of our colleagues last May. While Mr. Dent's proposed solution is certainly an alternative with ultimate fairness, we endorse the USOE proposal as being adequately equitable and significantly more practical to implement, in that it avoids further complicating the student application.

The current inequity in assessing the eligibility of independent students upon their earnings during the prior year when they were not full-time students is obvious. Any residual earnings from previous employment will be considered as applicant savings, but students should not be disqualified by an earning level they no longer realize due to their full-time student status.

The remaining two changes proposed by USOE are also commendable, and are, in fact, necessary to make the Basic Grant estimates of family ability to support educational costs in any way reasonable.

However, we feel they fail to go nearly far enough in this regard. If the basic grants family contribution schedule is to be anything more than a rationing device, which in our opinion it has thus far been serving to do, additional changes beyond those proposed by USOE are necessary.

The primary problem with the assessment of family ability to pay educational expenses continues to be, despite the proposed updating for cost-of-living increases, the family size offsets allowed against income for purposes of providing for subsistance of the family.

The use of low-income thresholds of the Social Security Administration does not recognize the real cost of maintaining a family in today's economy, and in practice this requires a family to live at or below the poverty level before it is excused from making a contribution under the proposed schedule.

While we understand, and we believe that the purpose of the program is to aid the truly needy student, we believe that this is a little too much to ask. We urge that, at the very least, the program utilize the most recent low-income levels defined by the Bureau of Labor Statistics, which are more reflective of the true costs of maintaining a family in the present economy.

We would suggest that the BLS moderate-income levels would be even more appropriate. To ask a family to make a contribution toward educational costs when it cannot even afford to purchase a reasonable standard of living seems to us to be unduly harsh, as well as unjust.

The BEOG treatment of assets deviates even more than the treatment of income from generally accepted practices of assessing ability to pay. In our opinion, the proposed schedule does not adequately provide for the emergency and retirement needs of families, nor does it properly recognize the inability to convert nonliquid home equity or business/farm assets to cash for educational purposes.

The proposed change in the asset allowance from $7,500 to $8,500 is hardly worth the cost of reprograming the computer, inasmuch as it reduces the expected contribution from assets by only $50. It does very little to reduce the number of families who are being disqualified because they have accrued a modest equity, much of it in paper appreciation, in a home, farm, or business.

At the level of affluence which we believe should be qualifying for basic grants, assets are negligible unless those assets are essential for the provision of the family's living, as in the case of small businesses and farms. Therefore, we repeat our prior recommendation that:

(1) The asset reserve allowance for all families should be increased from $7,500 to $15,000.

(2) Fifty percent of family farm and business equity should be excluded from the calculation of contribution from assets, in recognition of the necessity of those assets for future income production.

These two recommendations are based upon a study conducted recently by the College Entrance Examination Board.

This treatment will have the effect of protecting the low- and moderate-income families with most of their assets in home, farm, or small business to a much greater degree than would be the case in the proposed USOE treatment, but will continue to assess the families with sizable asset holdings in excess of income producing or retirement needs. We believe that the purposes of the program will be more effectively served by these changes in the contribution schedule.

While not directly related to the family contribution schedule, the subject of this hearing, we think the subcommittee should know that the basic grants program is operating much more smoothly as we begin the second year of operation.

While the timetable is still far behind what it should be if BEOG is to form the foundation of student assistance, and while there are still procedural problems to be worked out, the attitude of the financial aid community toward the program is much improved.

We would like to believe that the training project conducted by NASFAA, the American Personnel and Guidance Association, and the National Association of College and University Business Officers throughout the country last spring has contributed significantly to that positive feeling.

Certainly the improved processing time and the simplification of the application and student eligibility report have made a contribution to the overall effectiveness of the program. We would urge the subcommittee to review our recommendations for legislative changes in the program as it begins to draft authorizing legislation over the next few months.

Mr. Tombaugh and I would be happy to respond to any questions you might have at this point. We appreciate the opportunity to appear before you.

[A comprehensive analysis of the current difficulty with the Social Security treatment prepared by the University of Massachusetts, dated May 29, 1974, follows:]

The Commonwealth of Massachusetts
University of Massachusetts
Amherst 01002

FINANCIAL AID SERVICES

May 29, 1974

The Honorable James G. O'Hara
House of Representatives
2241 Rayburn House Office Building
Washington, DC 20515

Dear Congressman O'Hara:

As you continue your review of student aid programs, I would like to bring one particular point to your attention. The relationship between social security benefits and federal aid programs, specifically the Basic Grant Program.

I am enclosing a copy of a draft chapter I have written for inclusion in the College Scholarship Service's Manual for Financial Aid Officers but as it is somewhat lengthy I'll try and restate the problem more succinctly.

Social security benefits are extended beyond age 18 (up to age 22) to full-time, unmarried students of parents covered under the Social Security Act.

The Basic Grant Program considers the social security benefits received by an individual student as the student's resource and reduces BEOG eligibility as a result; aid administrators are likewise supposed to consider social security benefits although the Office of Education has never issued a definitive statement on how the benefits are to be counted.

The problem is a simple one, the solution is more complex. As you will note on Table I, social security benefits are not sensitive to family size. At the minimum benefits, there is no difference between the one child and two child family. At the average and maximum benefits, there is an increment between one and two children but, thereafter, the total amount received by the family unit is a constant regardless of how many children are involved.

TABLE I

SOCIAL SECURITY BENEFITS - MARCH, 1974

1. Father deceased:	Mother* and Children to Age 22				
	1 child	2 cdln	3 cdln	4 cdln	5 cdln
	$	$	$	$	$
Minimum benefits to family	mother	mother	mother	mother	mother
135.80 Maximum	67.90	45.30	34.00	27.20	22.70
	ea.	ea.	ea.	ea.	ea.
	135.80	135.90	136.00	136.00	136.20
Average benefits to family	177.00	139.40	104.60	83.70	69.70
418.20 Maximum	ea.	ea.	ea.	ea.	ea.
	354.00	418.20	418.40	418.50	418.20
PIA 304.90					
Maximum benefits to family	228.70	184.40	138.30	110.70	92.20
553.20 Maximum	ea.	ea.	ea.	ea.	ea.
	457.40	553.20	553.20	553.50	553.20

The stated purpose of the extension of social security benefits was to assist students in continuing their education - a financial incentive and support measure. If we look to average benefits, and consider one example, the problem is obvious.

Assume a mother and 3 children with social security as the only income. They have been receiving $418.40 per month. The eldest child turns eighteen and becomes a full-time student. That individual is now mailed a separate check for $104.60 while the mother and other two siblings receive a check for $313.80. The student reports his social security benefits on his BEOG application. The approximate $950 reported reduces his eligibility by a like amount. For the 1973 processing year, the great majority of our social security recipients did not receive basic grants.

Thus, the social security recipient student is not eligible for much financial aid, and the living standard of his mother and siblings is reduced.

If the individual chooses not to go to college on a full-time basis, then the mother still continues to receive the $418.20 for herself and her two other children and the eighteen year old can work and/or attend school part-time (with potentially increased aid eligibility as social security benefits are not counted).

The effect of current regulations on all social security families that have more dependents than are needed to reach the maximum benefits (more than one child in disabled and retired cases, more than two in deceased cases) is to reduce the student's eligibility for aid while also reducing the social security received by other members of the family unit below the level they would have received if the

other dependent was not a student. The regulations make it economically disadvantageous for a social security recipient to go on to college.

I can see two possible solutions to the problem.

1) Treat the student's social security apart from the family's. The family unit including children under 18 would continue to get their maximum entitlement. The student's social security would be additional monies and a positive incentive to enroll in post-secondary education.

2) Apply a student increment regulation to federal student aid program, i.e., information is collected on number of dependents and the total social security income of the family. If there are more than the needed number of dependents not counting the applicant, then no social security benefits are charged to the applicant.

Thus, one child families and some two child families would have social security counted as a student resource as it is now but larger families would not have to suffer an income reduction because one of the family decided to go to college. It is probably impossible to do anything about Basic Grant regulations at this time but with the inclusion of 4-5 questions on social security, it should be possible to implement a student increment approach for 1975-76.

As a temporary measure, we are advising our students from over the maximum size families not to apply for continuation of social security benefits and to indicate on their BEOG application that they will not be receiving said benefits.

I hope that in the course of your hearings, you will find time to consider the role of social security in student aid. The present situation obviously forces us to deal in injustices and terms economic disincentive to families as student assistence - yet another area where rhetoric and reality are in conflict.

Thank you for your interest in student assistance programs.

Sincerely,

Richard A. Dent
Director, Financial Aid Services

RD/ycb

Senator PELL. Thank you very much for a fine statement.

You mention here that there should be a yearly review of the recommendations, and review of legislative changes.

What legislative changes are you recommending?

Mr. TOMBAUGH. This refers to our prior testimony, over the past several months, of legislative change that might be done when the act is authorized prior to next June.

It does not specifically refer to any of the testimony we gave here today.

Senator PELL. Just to refresh my memory, what are your legislative recommendations?

Mr. TOMBAUGH. There are a number of things that we think need to be clarified as far as intent is concerned.

OE seems to have felt they can get around one of them, the treatment of social security and GI bill as a part of family income rather than student resource.

Senator PELL. That is being changed now.

But what are your recommendations to which you refer?

Mr. TOMBAUGH. The primary factors, I think, are with respect to the need to even have a separate need analysis concept built into this program in that there are already existing means of determining a family's ability to pay.

I will need to review our other testimony. We can submit that to you in writing if you like.

Senator PELL. I was just wondering.

You said something here about we would urge the subcommittee to review our recommendations for legislative changes.

Mr. TOMBAUGH. Can we submit what we said in the past?

Senator PELL. Yes, submit it for the record.

[The material referred to and subsequently supplied follows:]

NATIONAL ASSOCIATION OF STUDENT FINANCIAL AID ADMINISTRATORS,
Washington, D.C., October 10, 1974.

Hon. CLAIBORNE PELL,
Chairman, Subcommittee on Education, Committee on Labor and Public Welfare, Washington, D.C.

DEAR SENATOR PELL: As indicated in our testimony of October 3, the National Association of Student Financial Aid Administrators has developed a number of suggested revisions in the authorizing legislation for the Basic Educational Opportunity Grant program. Our reference in the testimony was somewhat misleading, inasmuch as our prior testimony on this subject in recent months has been confined to House Subcommittee hearings, because of your intense involvement in elementary and secondary legislation.

Attached you will find excerpts from our testimony before the Special Subcommittee on Education in the House relative to the BEOG program. We will be prepared to provide similar testimony to the Senate Subcommittee for any hearings on the programs of Title IV which you might schedule in the weeks and months to come.

Thank you again for the opportunity to provide our views on the Family Contribution Schedule. Mrs. Edwards and I appreciate your dedication to the goal of equality of opportunity which we all share.

Sincerely,

RICHARD L. TOMBAUGH,
Executive Secretary.

NATIONAL ASSOCIATION OF
STUDENT FINANCIAL AID ADMINISTRATORS,
Washington, D.C., September 17, 1973.

Mr. PETER K. U. VOIGT,
Acting Coordinator, Basic Grants Program,
U.S. Office of Education, Washington, D.C.

DEAR PETER: I am writing to confirm our recent discussions about the need for some kind of reimbursement or allowance to institutions for the administrative costs associated with the Basic Grants Program. Although the Basic Grant is a non-institutionally based program in comparison to the SEOG, NDSL, and CW-SP responsibilities we now have, there still are significant investments of time and effort on the part of the financial aid and business offices involved. In fate, the administrative duties requested of the institution, because of the coordination required with the other programs, are only slightly less than the "college-based" programs.

In order to document this request for financial consideration, allow me to list some of the functions being provided by the institution for the Basic Grants Program.

(1) *Distribution of Applications.* Although we all hope that this year will prove to be atypical, a large portion of the distribution of applications fell to the post-secondary schools. My university and many others sent BOG forms to all admitted freshmen since the high schools were closed and could not be effectively used for distribution. As the program expands to include continuing students, much of the distribution load will fall upon the financial aid officer.

(2) *Counseling.* Much institutional time has been and will be utilized in counseling students and parents about the Basic Grants Program. The layman is easily confused about the number and complexity of the forms involved in the many financial aid programs, how the various programs interact, and the reasons for the varying outcomes. The only one location easily identified as being involved in almost all aspects is the institutional aid officer, and he takes the brunt of all such questioning. There is no doubt that the Basic Grants Program added immeasurably to this counseling load.

(3) *Preliminary Award Calculation.* While not very involved for each application, particularly this year when cost was not a factor at many schools, the sum total will prove to be considerable when cost becomes a variable and numbers become larger.

(4) *Revision of Previous Awards.* Again we can hope that the current year will be atypical and that future BOG determinations will, for the most part, be made early enough to be reflected in the original aid package. Realistically, however, there will always be a significant number of students who, for one reason or another, will not have BOG eligibility determined prior to the package and will require "reworking" by the aid officer.

(5) *Final Award Determination.* As with the preliminary determination, this function will become much more time-consuming when cost becomes a factor and numbers increase. The need to provide this step in the process at the time of registration compounds the responsibility.

(6) *Payment of Awards.* Whether done by check or crediting the recipients' accounts, the actual payment involves a significant expenditure of institutional time and effort. The cost of producing a check is estimated to run from 65¢ to $1.00 each, and the accounting costs for crediting accounts is little, if any, less expensive, considering the need to obtain a signed receipt.

(7) *Accounting and Reporting.* Although somewhat difficult to gauge at this time due to the yet unpublished regulations, these functions presumably will be similar to the institutional responsibilities in the college-based programs. Hopefully, some of the procedures being forecast for this aspect, such as the personal signatures of the aid officer on each individual award form, can be simplified.

Thus, even though the Basic Grants Program is "advertised" as a non-institutional program in nature, the school indeed has a considerable involvement in the administrative process. In fact, the administrative functions are little, if any, less demanding than those of the SEOG program. While it is undeniable that the institution receives benefit from the program via the students it supports, it is increasingly difficult for the school to cover the expanding costs of operating the federal programs. As with all other elements of the federal assistance programs, we have need for a government-institution partnership in paying for the additional costs of operation. Thus, the National Association does not seek full reimbursement of these costs, but only partial relief for the expenses involved.

Since our last discussion concerning the provision of an administrative cost allowance to institutions for their part in the Basic Grant Program, I have asked a number of financial aid officers to provide estimates of actual cost to perform the various functions required. As you can appreciate, this is very difficult to do at this point in time because of the fact that we have not been through a complete cycle of operation, nor do the institutions even know what all the accounting and reporting requirements will be until the final set of regulations is published.

The estimates I have received cover a substantial range, probably dependent upon the functions included. They run all the way from $5.00 to $40.00 per application processed, but most are concentrated in the $10.00 to $15.00 range. Some of the variation depends upon whether or not data processing costs are passed on to the individual financial aid and or business offices involved; whether or not professional staff time spent in counseling students and parents is considered; whether or not space and utility costs are prorated; etc.

Pending more comprehensive review, when we have a year's experience under our belts, I would suggest the following hypotheses about institutional costs of administration:

(1) A "per application" allowance makes more sense than a percentage of dollars involved, since there is little, if any, difference in the cost of processing a small grant versus a large one.

(2) The "per application" cost is a function of the number of applications actually handled; there are basic costs of processing even one recipient, i.e., setting up the account, operating the letter of credit, filing the required reports, etc., which do not increase in direct proportion to the volume handled, while other costs are incurred on each application processed (for example, drawing a check for payment). Therefore, a sliding scale based upon volume would probably be the most fair to all concerned. A low flat rate would be satisfactory to larger institutions with greater numbers to process, but would be unfair to smaller schools. A flat rate sufficient to cover the costs for smaller "users" would unduly reimburse the larger volume schools. This may be an academic issue this year in view of the funds available for reimbursement, but should be considered henceforth.

(3) The cost of administration should be shared equally by the federal government and the institution. Although the institution is a beneficiary of the program, it is to the advantage of the Office of Education that these functions be carried on by the institution. Not only will the students be better served, but it will be less expensive to reimburse institutions for half of the cost than to perform the same functions within O.E. or contract out for the services.

Again pending further evaluation after a year or so of experience, NASFAA recommends that the partial reimbursement of administrative cost be based upon the following formula:

$10.00 per processed application for the first 100 recipients
$7.50 for each processed application over 100 but less than 500
$5.00 for each processed application over 500

It is our belief that this formula will provide reimbursement approximating one half of the actual cost of administration at the institution.

I will be happy to discuss this proposal in depth with you at your convenience. Do not hesitate to call upon me.

Sincerely,

RICHARD L. TOMBAUGH,
Executive Secretary.

NORTH DAKOTA STATE UNIVERSITY
OF AGRICULTURE AND APPLIED SCIENCE,
Fargo, N. Dak., May 29, 1974.

Mr. PETER K. U. VOIGT,
Director, Division of Basic Grants, Department of Health, Education, and Welfare, Office of Education, Washington, D.C.

DEAR MR. VOIGT: The eagerly awaited "Basic Grant Payment Schedule" for 1974–75 has arrived; however, I am deeply disturbed by the provisions of the schedule which dictate that actual individual cost data be established and utilized in determining the amount of the Basic Grant stipend.

Our office has delayed sending 1974–75 award notices to students pending receipt of the "Basic Grant Payment Schedule" with the expectation that the exact amount of the Basic Grant could then be determined and specified as a

resource on the student's award letter. This was considered essential to eliminate (or at least minimize) subsequent adjustments to individual aid packages. Because of late notification of BEOG Awards, most 1973–74 award letters mailed last summer did not include the Basic Grant Award and, as a result, hundreds of aid revisions were required when the BEOG recipients arrived on campus in the fall. These revisions generated an administrative burden of near chaotic proportions—we do not relish the prospect of a similar ordeal this fall.

In spite of this concern, however, we discover that the provisions of the new "Basic Grant Payment Schedule" would create an administrative problem of even greater size and complexity. First of all, there is no conceivable method by which we can establish individual room and board cost figures for BEOG recipients until late summer or until they arrive on campus this fall; consequently, we will be compelled to either delete reference to the BEOG on the award letter, or establish an "average" cost and calculate an estimated BEOG stipend on this basis. In either case, we must again anticipate the administrative confusion of adjusting the majority of aid awards made to BEOG recipients.

Our overriding concern, however, is the increased complexity of the adjustment process resulting from a multiplicity of room and board options. For example, a student attending our institution next fall can choose from a total of fifty-seven board and/or room options, depending upon one of ten residence halls selected, 5-day or 7-day board contract, single or double room, etc. A student's selection of one of these options would prescribe the use of one of eleven separate cost figures for the BEOG computation. (Six of these cost figures fall below the $1,100 room and board standard set by the "Payment Schedule," and four are above.) These eleven cost figures, in turn, would fit into one of five cost categories on the "Basic Grant Payment Schedule." (The problems discussed here do not involve our out-of-state students inasmuch as tuition charges for these students place them at a cost figure above $2,100; however, these students represent only 10–15% of our aid recipients. Total cost figures for ALL in-state students at our institution will be less than $2,100.)

The prospect of accurately determining which of the fifty-seven options will be utilized by the hundreds of individual BEOG recipients expected on our campus this fall is staggering. (When I called our Director of Housing to explore methods of gathering this data, he threatened to hang up on me!) I hesitate to even suggest the likelihood that many BEOG recipients will utilize more than one of these options during the course of an academic year, thereby significantly altering his educational costs and thus, logically, affecting the amount of his BEOG entitlement.

Utilization of actual cost figures will also create the near incredible situation whereby a BEOG recipient living at home one or two blocks from our campus could qualify for a Basic Grant stipend $74 greater than a recipient living in a double room in one of our residence halls on a 5-day board contract. It is also significant to note that the student on the 5-day board contract would generally pay cash for his weekend meals, whereas the student at home could pocket the $74 and eat with his parents.

Hopefully, the above will adequately demonstrate the bewildering complexity of a system which dictates utilization of individualized cost data for BEOG computations and provides reasonable evidence that more realistic and workable procedures must be devised.

I am aware that the legislation addressed itself to "actual cost of attendance"; however, it also specifies that the definition of this cost is "subject to regulations of the Commissioner." Accordingly, I would urge that the Commissioner prescribe cost standards which would enable the financial aid officer to establish the exact BEOG stipend prior to construction of a total aid package. I would propose that this could be accomplished by permitting institutions with total cost figures under $2,100 to utilize the $1,500 standard cost figure for all BEOG recipients. The institutional tuition charge would be added to this cost, permitting the aid officer to immediately establish the exact BEOG stipend. The student could then be notified of his total aid package and the confusion and administrative complications of subsequent revisions avoided.

Although the thoughts expressed here are my own, I have visited with each of the aid officers at the public institutions within North Dakota and I can report that, without exception, they anticipate major problems in establishing Basic Grant amounts for 1974–75 because of the actual cost of attendance provisions of the "Payment Schedule." It is logical to assume that this situation will prevail at most, if not all, of the moderate cost public institutions throughout the country.

I am convinced that we are dealing with an administrative problem of major proportions requiring prompt corrective action. Your careful consideration of the thoughts I have presented here will be greatly appreciated.

Sincerely,

WAYNE K. TESMER,
Director.

BASIC EDUCATIONAL OPPORTUNITY GRANTS

We have appeared before the Subcommittee several times in the past with our recommendations on the Basic Grant Program. Most of those occasions, however, dealt with the regulatory function being exercised by the Office of Education. Our recommendations for changes in the law are not extensive. They consist primarily of requests for clarification of Congressional intent, in order to simplify the administration of the program. Other recommendations have been advanced by us previously in our testimony on H.R. 13815, which we hope can be advanced through the Congress immediately, rather than being incorporated into a more comprehensive piece of legislation which may take a longer time to gain enactment.

Our first recommendation is in reference to Section 411(a)(2)(B)(iv). which defines the term "actual cost of attendance." The cost of attendance did not cause much problem for the current year because the low level of the grant awards was not close to one-half the cost at most institutions, and almost all schools could use $1200+ as their cost figure without further delineation. For the coming year, however, the problem is a very real one for all institutions with costs under $2100. I would request that a letter from Mr. Wayne Tesmer, a Vice President of NASFAA, to Mr. Peter Voigt be placed in the record to document this problem. Briefly summarized, if actual costs are required for setting each recipient's grant amount, it is very difficult to establish the grant amount prior to actual enrollment. Even then it means that some schools will have several dozen cost figures to use because of multiple room and board options and/or tuition and fees charged by the credit hour. At the present time, the Office of Education is interpreting "actual cost" very literally for those students who pay room and/or board to the institution, but is utilizing estimates for those who live and/or eat outside the confines of the school. Mr. Tesmer's letter further defines the problem.

In order to resolve the problem, we would urge that the law be amended to provide that the "average" cost of attendance for students of similar circumstances be used in lieu of "actual" cost in the establishment of maximum grants. Then an institution might develop four or five budget categories rather than being required to construct cost figures unique to each student. On the one hand, O.E. is presently saying that the determination of the family contribution can be a rough estimate because the grant is limited to one-half of cost anyway, and the other aid criteria can be more precise; on the other hand, they are saying that cost must be determined precisely (but only those paid directly to the institution) because the law requires it. Please relieve them of this need to be inconsistent.

We would urge, as we did when testifying on H.R. 13815, that Sections 411 (a)(3)(A)(i) and (ii) be amended to require that the Commissioner publish the family contribution schedule in the *Federal Register* no later than April 1 preceeding the fiscal year of applicability. Further, we recommend that the same date be the deadline for submission of that schedule to the Congress and that July 1 be the deadline for any Congressional resolution of disapproval. The proposals in H.R. 13815 for changing these dates were good, but they did not go far enough. If this program is to ever serve its intended purpose, and actually be a floor or foundation source of assistance, states and institutions should know about BEOG outcomes by February 1 of each year. Anything later will always find state, institutional and local financial assistance already in place by the time BEOG notices are provided, necessitating time-consuming and confusing revision of aid packages. More importantly, the BEOG simply cannot, under present conditions, be considered a motivating force for postsecondary enrollment, as the Congress intended.

Our next recommendation was also addressed in H.R. 13815. It relates to Section 411(a)(3)(B)(iv) and the treatment of Social Security and G.I. Bill benefits This provision, particularly regarding Social Security, has probably deprived more needy students of BEOG support than any inadequacy of the family contribution schedule. Our collective experience indicates that students from low income families simply do not receive Social Security benefits for educational purposes, no matter what the intent of the legislation or the Social Security Administration might be. These payments are normally considered a family

resource, not a student resource, and are pooled with whatever other income the family might have.

The implications of the G.I. Bill are not quite so clear, due to the fact that most recipients are independent students by definition. It does not seem to make any difference if the benefits are treated as a student or a family resource. In any event, the exclusion of one-half of the benefits from consideration as a student resource provides an advantage to the veteran as compared to the non-veteran who is supporting his education from part-time employment rather than the G.I. Bill. If this was the intent, it is working.

We would recommend that all Social Security and G.I. Bill benefits be treated as "family" income and considered as any other form of income the family might have.

Section 411(b)(3)(B)(v) provides that no payment under the scheduled reduction can be less than $50.00. A significant number of awards this year were in that amount. Grants of such small amounts accomplish very little. Assistance to the students is almost non-existent, and the cost of delivering the award to the recipient is probably greater than the award itself. We suggest that the minimum award be at least $100.00, and we see little need to vary from the minimum $200.00 award at full funding. If lesser amounts are not enough to be concerned about under full funding, why should they be more significant when the funding is less?

The past three Administration budgets have demonstrated the wisdom of the Congress when it protected the campus-based student aid programs from "extinction by substitution." Had it not been for Section 411(b)(4), there is little question that funding would not have been continued for the National Direct Student Loan and Supplemental Opportunity Grant programs. We have already spoken to the continuing need for NDSL in earlier testimony. Later in this statement we will do the same for SEOG. While the Congress seems to appreciate these programs, the Administration apparently does not. Thus we urge that the "threshold" levels be retained and in fact increased. For the past three years Congress has appropriated constant amounts for the campus-based programs, even though the threshold level was less in the case of SEOG and CW-SP. In order to insure the continuation of these programs at least at the current levels, we recommend that the threshold levels be raised to $210 million for SEOG and $270 million for CW-SP; otherwise, the advances we make in increased funding of BEOG will be diminished by decreases in other programs.

When we appeared before the Subcommittee on April 11 of this year, we reported our concern about the lack of any recognition on the part of the Executive Branch of the administrative burden which has been placed upon institutions by the Basic Grants program. We referred to our request, frequently repeated, that the Commissioner use the authority already provided by the Congress to partially reimburse schools for the administrative costs being incurred. I would ask that a letter from Mr. Tombaugh to Mr. Voigt last September be placed in the record, as it describes the problem most completely. At the same April 11 hearing, Commissioner Ottina assured Mr. Dellenback that such was still under consideration, but no decision has yet been announced. It seems obvious to us, in view of the stance taken by the Executive Branch with regard to similar proposals for guaranteed loans, that such reimbursements will not be forthcoming without a mandate from the Congress. We recognize that the institution benefits from the enrollment of Basic Grant recipients; we do not argue that fact. We do dispute the position that the institution can and should absorb *all* costs resulting from BEOG administration. We only ask that the cost be shared, as outlined in Mr. Tombaugh's letter. Other federal agencies provide for administrative costs incurred by institutions; the campus-based programs provide partial reimbursement. To suggest that the institutions have no significant role in the administration of Basic Grants is to ignore the obvious. We ask that language be added to the law to insure that the institutional role (and expense) is recognized.

Obviously, the Association wants to see Basic Grants continued and expanded. There are many administrative improvements that need to be made, but the authorizing law needs minimal change. We will continue to work with the Office of Education to resolve the regulatory problems that make the program difficult for students and institutions. We appreciate your continuing interest and concern for these practical matters.

Senator PELL. Now, I remember when I first introduced this concept of the basic grant, there was some very real reservations on the part of the college financial aid officers.

What is the feeling among the financial aid officers in the community with regard to this program?

Mrs. EDWARDS. May I back up and say I do not think the community ever really had any objection?

Senator PELL. I did not say objection. I said reservations.

Mrs. EDWARDS. We were maybe a little bit afraid because this was something so new.

At the present time, I would say that the total attitude is positive. We all see that this does open the doors to students who might otherwise not have pursued education beyond the high school level, and we are very happy to tell you that the students are participating more.

We think the workshops had an impact upon them, and we think the communication has been improved.

At my own institution, we have $202,000 coming in this year for BEOG, whereas last year we had $50,000.

Mr. Tombaugh will agree with me that this is reflected throughout the country.

I do not think, if we have any carryover this year, it will be in the proportion it was last year.

Senator PELL. Do you see the danger that as we broaden the eligibility—you suggest we diminish the amount.

Would we not do better for the time being to concentrate on trying to keep the amounts so they really are substantially an assist to the student rather than broadening the eligibility?

Mrs. EDWARDS. You ask a very, very difficult question.

My leaning, however, is this. I know we must keep it at the reasonable level so it does have impact upon cost of education. But, at the same time, Senator, you were trying to give us legislation which would open the doors to all qualified students.

It is my personal feeling we should do what is necessary to qualify those students. And if it does reduce it somewhat, it is better to get those students into the mainstream and get them started than never to have opened the doors at all.

Mr. TOMBAUGH. If I could amplify, if expanding the eligible group should have the effect of reducing the average grant by, let us say, $100, there are other ways and means that the students can utilize to get the $100.

If the population continues to be excluded, many of them will never have the motivation to even seek out other money, and they will never get there at all.

Granted, the grant has to be sizable enough to get them there. But if we can keep it at a reasonable level and get them there, we can get them on through.

Senator PELL. I was struck by Mr. Rice's figures that show that from the families with extremely low income, who are very poor, very few youngsters apply, while from the families who are better off, more individuals apply. So you almost have the same number applying for families with more than $12,000 a year income as you do in the whole much larger range below that.

Mrs. EDWARDS. I have not seen those figures yet, and I am very interested.

I heard if for the first time this morning, Senator, and would be happy to see them.

I think there are many, many factors that would account for that. The communications problem could very well be one of them.

Senator PELL. I think probably the communications responsibility should not be part of this program.

Mrs. EDWARDS. I agree with you.

Senator PELL. This program should strictly be a financial aid program, and we should exert all the force we can to see it get its full funding.

The burden of communications should rest through other programs.

Would you not agree with that?

Mrs. EDWARDS. I would say certainly it is not out of line to suggest that the communications problem should be resolved through other channels, if this is the case.

This program should provide the money to get the students there, but we should find other ways of communicating.

Senator PELL. Where are the forms available for this program?

Am I correct in saying that high schools, post offices and financial aid officers have these?

Mrs. EDWARDS. And libraries, and also the talent search program, the upward bound program. These are the types of places we talk about.

Senator PELL. Some of those are rather obscure names. If I am talking to a constituent, where do I tell th m to go?

Mrs. EDWARDS. To go to the libraries, to the post offices.

Senator PELL. You mean all public libraries have these forms?

Mrs. EDWARDS. Yes.

Senator PELL. I am delighted to hear that.

Mr. VOIGT. It is a very difficult thing to get a mailing list to the public libraries.

Mrs. EDWARDS. This has been publicized, I am happy to tell you, in a lot of spot television and radio broadcasts at 2 and 3 in the morning, when I cannot sleep. They are done in different ways to get the attention of young people.

Senator PELL. You mentioned three categories, public schools, post offices, and financial aid officers.

Mr. VOIGT. We did not utilize the post office this year.

Senator PELL. But they were utilized last year?

Mr. VOIGT. Yes.

Senator PELL. Why were they not utilized this year?

Mr. VOIGT. The success of the post office was somewhat limited.

Post offices are not generally in the business of providing direct communications to students.

Senator PELL. But are there not many rural communities where they do not have libraries but they have a post office?

Mr. VOIGT. There are, indeed, but the office sent them to the high schools. And this year the forms were put out early enough so they were available in the high schools.

Senator PELL. Thank you very much, indeed, for your testimony, and it was good to see you here again.

Mrs. EDWARDS. Thank you very much.

Senator PELL. This concludes our hearing.

At this point I order printed all statements of those who could not attend and other pertinent material submitted for the record.

[The material referred to follows:]

Statement Submitted to

the

United States Senate

Committee on Labor and Public Welfare

Subcommittee on Education

Senator Claiborne Pell,
Chairman

on behalf of

the

National Association For Equal Opportunity In

Higher Education

by

Miles Mark Fisher, IV
Executive Secretary

October 11, 1974

Washington, D.C.

Basic Educational Opportunity Grants

Family Contribution Schedule

The National Association for Equal Opportunity in Higher Education represents the historically Black colleges and universities of our nation. There are 107 institutions located in fifteen Southern states, four Northern states, and the District of Columbia, enrolling more than 180,000 students. These institutions graduate more than 30,000 students annually with baccalaureate, graduate and professional degrees. These institutions have made and are making a significant contribution to higher education and the American Nation.

In keeping with the need of most institutions of higher education to have available the necessary financial resources for their students, student financial assistance is the number one priority. An approach to student financial assistance that includes the Supplemental Educational Opportunity Grant Program, the College Work Study Program, the Direct Student Loan Program, the Basic Educational Opportunity Grants Program, and the Guaranteed Student Loans will be necessary for the foreseeable future to bring to fruition the educational hopes of thousands of students of this nation.

Therefore, it is important that the Basic Educational Opportunity Grants Program Family Contribution Schedule be given consideration

for the impact that it has and will have on what happens in the lives of thousands of college eligible students.

The Family Contribution Schedule for the Basic Educational Opportunity Grants Program should be further amended for Academic Year 1975-1976 if this program is to be equitable for those who qualify for participation.

In keeping with the modified proposals that Commissioner Bell has submitted to this Committee on the BEOG Family Contribution Schedule, I will direct the major portion of my remarks.

Proposal One seeks to increase the asset reserve from $7,500 to $8,500. This does several things, namely:

1. Enlarges the pool of eligibles and broadens the base of participation in the program.
2. Raises the definitional problem of equity and debts against the assets. Are these real debts/immediate debts or are they deferred debts?

Proposal Two pertains to the consideration given to the Effective income of students. The fact that the previous modifications did alleviate problems for social security recipients from the lowest income families, this treatment still results in problems with regards to inequities for other recepients of social security benefits. The proposal that the "effective income of the student" be made equivalent dollar-for-dollar with other family income, and assessed at the same marginal rate bears some thought. The treatment of veterans benefits should be given special study.

Proposal Three on adjusting the basis of the family size offsets

currently in use by the Consumer Price Index for 1974 is not clear as stated.

Proposal Four addresses the issue of the independent student who was employed in the base year but who lost his employment in order to pursue postsecondary education. In order to deal with this problem, it is proposed that all independent applicants, who were not students in the base year and who were employed on a full-time basis, be permitted to file a Basic Grant application using estimated current year income data.

This proposal should be further expanded to include the unemployed those who were employed on a half-time of part-time basis to bring equity to this provision..

There should also be given consideration to the impact of inflation and unemployment upon the economy. The low income families bear a disporportionate burden of the unemployment.

The Higher Education Daily of October 1, 1974, began its headline as follows: Students to get less BOG Aid next year in reporting the testimony of the United States Office of Education Commissioner Bell.

The reasons given were as follows:

1. that appropriations for the program for grants in academic year 1975-76(FY75) are likely to be insufficient to cover the greater number of students who will be eligible.

2. the number of postsecondary schools whose students are eligible for basic grants has gone from about 4,300 at the beginning of 1973-74 to 5,500 this year.

3. Reforms in the Family Contribution Schedule this year and proposed reform for next year, will make more students eligible for grants.

4. Improvements in the distributions of application materials have drawn more students into the program.

Adding on a third year of first year students as well as the expansion of the pool within each of the three years will impact the distribution of funds within this program.

This being the case, Congress must:

1. Take a very close look at the proposed family contribution schedule.

2. Recognize that this increase in the pool of eligible which in turn decreases the size of the grants for participating students necessitates a larger amount of funds being put in the college based programs in order to provide the difference between up to 1,400 or half of the cost whichever is less and also provide the other half necessary for students to participate in the Postsecondary experience.

3. Reconsider the relative future of the non-colleges based loan programs as problematic with the economic crises of today.

4. Look at what is happening here as it relates to the Independent Groups such as College Boards who have already announced a substantial cut in the parental contribution schedules for the next academic year.

5. Consider the potential situation arising where students will be standing at the door of institutions with underfunded BEOG Grants but lack the other funds to matriculate. What will this mean for the economic health of our institutions? What will this mean for the private sector? Who will make up the difference in student assistance?

6. Give priority consideration in the institutional based programs to those students from families with little or no discretionary income and little or no asset reserves.

The BEOG may, in fact, increase the tendency of lower income students to enroll at lower cost institutions because the amount of unmet need or additional aid required is lower at these institutions and it would be reduced at a faster rate than at higher cost institutions.

Low income students, who are enrolled in disproportionate numbers at low cost institutions, may find that low cost institutions become their only educational alternatives under BEOG. Their access to lower cost institutions may be increased by the BEOG but their choice of education among all institutions may remain as resticted as now.

APPENDIX

Progress Report on the National Debates about Financing Post-secondary Education Ten Basic Issues. Paper presented at the American Political Science Association Meeting in Chicago on August 30, 1974 by:

Carol Van Alstyne, Chief Economist Policy Analysis Service - American Council in Education

You may recently have read editorials in the newspapers or seen television programs describing the plight of the middle-income student: It is pointed out that, while low-income students receive financial assistance and while upper-income students can still rely on their parents for financial help, middle-income students are not getting aid from either source and thus are being squeezed out of higher education. However, as Miles Fisher, Executive Director of the National Association for Equal Opportunity in Higher Education remarked recently,[1] we characteristically use the term access in two different ways, depending on whether we apply it to low-income or middle-income students. Middle-income students do have access to low-cost institutions but generally not to high-cost institutions; we interpret this to mean that they are being "denied access." In contrast, though low-income students who receive financial aid are in the same situation (i.e., they have access to low-cost institutions but not to high-cost ones), we do not regard this as denial of access. We have made a hidden value judgment that access to low-cost institutions is sufficient "access" for low-income students but not for middle-income students, who have a "right" (so we judge) to the "best"--i.e., most expensive--education.

Access, in the sense of a chance to go to college, may no longer be an adequate measure of opportunity. In recent discussions, people from low-income and minority backgrounds have pressed hard to extend the concept of equality of educational opportunity from mere access to any institution to choice of an institution and now to capacity for achievement, with opportunity unrestricted by lack of money.

Sharp differences persist in the debate over the most effective mechanism by which to increase access to higher education.

U.S. SENATE,
COMMITTEE ON THE JUDICIARY,
Washington, D.C., September 25, 1974.

Hon. CLAIBORNE PELL,
Chairman, Education Subcommittee, Labor and Public Welfare Committee, Washington, D.C.

DEAR MR. CHAIRMAN: Enclosed is a letter I have received from Mrs. Dellora Schmidt from Max, North Dakota, concerning family contribution schedules for the Basic Educational Opportunity Grants.

Mrs. Schmidt has made a very good point about the use of a previous year's income in determining the family's contribution. Farm incomes can fluctuate wildly depending on farm prices, the weather, and numerous other factors. Because of these fluctuations, Mrs. Schmidt has suggested that grants be based on an average of a family's income over a three year period. This, I believe, would be a much fairer way of assessing income for farm families.

I would very much appreciate your taking Mrs. Schmidt's letter and this subject into consideration when your Subcommittee again considers the family contribution schedule for the BEOG Program.

With kind regards, I am

Sincerely,

QUENTIN N. BURDICK.

Enclosure.

MAX, N. DAK., *September 18, 1974.*

Hon. QUENTIN BURDICK,
U.S. Senate, Washington, D.C.

DEAR SENATOR BURDICK: I have several things I would like your consideration on. I realize this is a busy time but these are important issues on education for our North Dakota young people.

First off, I would like to have some equality on the Basic Opportunity Grants for college students. We have a Freshman and a Sophomore attending N.D.S.U.–BB. Neither one received BOG or State Aid. They got a local community scholarship for good grades from Bottineau ($100 a quarter) for which we were very grateful because we don't even live in the area.

I would like to see the grants based on a three year income average instead of on last years only. You know last year was a good year with grain, cattle, and hog prices up but this year it is down. You can't send a child to college this year on last years income.

It makes the young people of today wonder if it pays to work when they see their friends getting up to $800 and $2,000 given to them when just because I work they don't get any aid. Especially when these families are our neighbors and crops and returns are like ours.

You may ask why don't they get Work Study jobs, well they have applied but the jobs are given to out of state students. Now, why must our State supported schools do that? Their first concern should be North Dakota youth because it is our tax money. I feel we are really hit hard first to support the colleges and then to send our children there while others from out of state get it cheaper without paying one cent of taxes in N. Dak. I don't mind working to help educate our children but why must I do it for the neighbors and for out of staters?

As a teacher I would like to express my thanks for your vote on H.R. 69 and urge your favorable vote on the appropriation bill for Public Law 93–380 for our schools.

I would appreciate anything done by you, as we need to keep our young people in the state for a better North Dakota.

Sincerely,

Mrs. DELLORA SCHMIDT.

U.S. SENATE,
COMMITTEE ON LABOR AND PUBLIC WELFARE,
Washington, D.C., October 3, 1974.

Hon. TERREL H. BELL,
Commissioner of Education, U.S. Office of Education, Department of Health, Education, and Welfare, Washington, D.C.

DEAR MR. COMMISSIONER: Thank you for your letter of September 20, augmented by your testimony of October 3 before the Subcommittee on Education, detailing the changes you propose to make in the Family Contribution Schedule for the Basic Educational Opportunity Grant Program.

We are extremely pleased that you are asking to make the Schedule more equitable with regard to the family size offset, the treatment of Social Security and veterans' benefits, and the independent student who leaves full-time employment to attend postsecondary education. These changes should have a significant impact toward making the Basic Grant Program more responsible to the needs of the students it was intended to serve.

We believe that the increase in the assets exclusion from $7,500 to $8,500 represents a step in the right direction. While we would prefer a more liberalized assets treatment, we will not insist on such a change at this time. In light of the current limited appropriations situation, such a change would even further dilute the amounts available for individual grants.

We believe that the changes you have made in the Family Contribution Schedule make it acceptable to the Subcommittee on Education. This letter will serve as official notice that the Subcommittee does not plan to disapprove the Schedule. We hope that this will be sufficient to allow you to implement the new Schedule as soon as possible and to disseminate information on next year's program expeditiously in order to assure that every eligible student receives the grant to which he or she is entitled.

Sincerely,

CLAIBORNE PELL,
Chairman, Subcommittee on Education.
PETER H. DOMINICK,
Ranking Minority Member, Subcommittee on Education.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE,
OFFICE OF EDUCATION,
Washington, D.C., October 8, 1974.

Hon. CLAIBORNE PELL,
Chairman, Subcommittee on Education, Committee on Labor and Public Welfare, U.S. Senate, Washington, D.C.

DEAR SENATOR PELL: Thank you for your letter of October 3 in which you indicated the Subcommittee's general satisfaction with our proposed Schedule of Family Contributions for the Basic Grants Program.

Since we appeared before you last Thursday, we have had further discussions with the House Special Subcommittee on Education. As a result of these conversations, we are proposing one further modification in the treatment of assets.

As you know, our original proposal contained an increase in the amount to be subtracted from net assets of $1,000, raising the assets reserve to $8,500. We are now recommending that this asset reserve be further increased to a level of $10,000.

We are making this proposal in the hope that this proposed change will meet the concerns which have been expressed concerning the treatment of assets in this program and will permit an early resolution of these Schedules for the 1975-76 academic year.

Sincerely,

T. H. BELL,
U.S. Commissioner of Education.

Senator PELL. The subcommittee will recess until the call of the Chair.

(Whereupon, at 11:35 a.m., the subcommittee recessed, subject to the call of the Chair.)

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